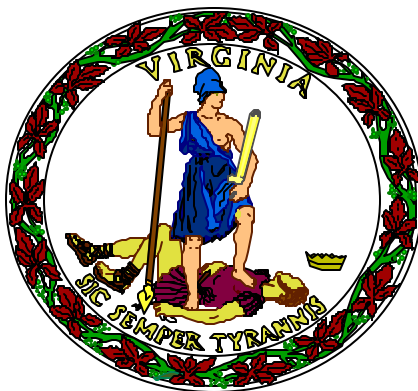


CSB AUDIT GUIDE

SEVENTH ANNUAL EDITION

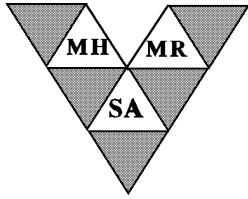


Richard E. Kellogg

Commissioner

July 2000

Published by the
Virginia Department of Mental Health, Mental Retardation
and Substance Abuse Services
Division of Financial Administration
Office of Financial Reporting & Compliance
Kenneth M. Gunn, Jr.
Director
(804) 786-1994
www.dmhmrzas.state.va.us



**VIRGINIA DEPARTMENT OF MENTAL HEALTH, MENTAL
RETARDATION AND SUBSTANCE ABUSE SERVICES**

Division of Financial Administration

MEMORANDUM

July 12, 2000

TO: CSB Executive Directors and Audit Firms
CSB Contract Agencies and Audit Firms

FROM: Joy Yeh, CPA, Ph.D
Assistant Commissioner, Financial Administration

SUBJECT: CSB Audit Guide Document, July 2000

Background Attached is the seventh annual edition of the CSB Audit Guide that is issued for Auditors and Managers of CSBs and CSB Contract Agencies. This Audit Guide is produced by the Office of Financial Reporting and Compliance. This edition will be available on the Department's web page at www.dmhmrzas.state.va.us.

Features This edition includes the following new features:

- a streamlined version with referenced chapters and page numbers (including color graphics),
- a summary of FY 1999 audit report review findings,
- an updated desk review checklist, and
- Chapter 5, Governmental Health Care Reporting Model.

Use This edition should expedite the preparation of audit reports and improve communication between DMHMRSAS, CSBs, CSB Contract Agencies, and CPA firms. As always, your suggestions and comments are welcome.

Thank you.

JY/gaa

cc: Richard E. Kellogg, Kenneth M. Gunn, Jr., Paul Gilding, Anthony Gintout, Martha Mead, APA

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Mission Statement

The mission of the Department of Mental Health, Mental Retardation, and Substance Abuse Services is to improve the quality of life for people with mental disabilities and substance abuse problems by providing the very best services possible, at a minimal burden to the taxpayer. The Department works to effectively treat those who need services and to prevent the development of mental disabilities and substance abuse problems. This is accomplished through a coordinated system of care that respects and promotes the dignity, rights, and full participation of individuals and their families. We believe that all people have a right to participate in the life of the community that should not be limited by the presence of mental illness, mental retardation or substance abuse.

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Preface

This is the seventh annual edition of the CSB Audit Guide that is issued for Auditors and Managers of Community Services Boards (CSBs). This guide provides guidance for CSBs, CSB contract agencies, and their auditors. Suggestions provided by both CSB personnel and auditors have been incorporated in this guide.

The major changes in this edition are:

1. a streamlined version with referenced chapter and page numbers (including color graphics),
2. a summary of audit report review findings for FY 1999,
3. changes to the desk review checklist,
4. the addition of Chapter 5, Governmental Health Care Reporting Model, and
5. rearranging and including appendices from the prior year Audit Guide with appropriate chapters in the current guide. (See table below).

1999 Audit Guide Appendix	2000 Audit Guide Location
Appendix A: Frequently Asked Questions	Not Included
Appendix A: CSB Funding Model	Appendix A: CSB Funding Model
Appendix B: Professional Literature References	General Information, Page ii
Appendix C: Fed. Grants and CFDA Numbers	Appendix B: Fed. Grants and CFDA Numbers
Appendix D: Health Care Reporting Model	Chapter 5, Govt. Health Care Reporting Model
Appendix E: Performance Contract Changes	Not included – Reference DMHMRSAS website for Exposure Draft of Performance Contract

Important Developments for FY 2000:

- DMHMRSAS is continuing to encourage the adoption of the government health care reporting model by operating CSBs (Chapter 5), effective for FYE 2001.
- Joy Yeh was appointed Assistant Commissioner of Financial Administration in March 2000
- The Office of Financial Reporting and Compliance (OFRC) also includes the Medicaid Utilization Review Unit.
- Website information at www.dmhmrzas.state.va.us

The Office of Financial Reporting and Compliance is appreciative of those CSB fiscal officers and their auditors who have provided valuable comments and suggestions in the development of this document. We encourage continuous feedback and input so that the 2001 edition can be improved even further.

Joy Yeh, CPA, Ph.D
Assistant Commissioner
Financial Administration
July 12, 2000

Quick Reference Listing for this Guide

Website for DMHMRSAS:	www.dmhmrzas.state.va.us
<ul style="list-style-type: none"> ▪ RFP for Audit Services ▪ RFP for Banking Services ▪ Audit Guide 2000 ▪ Financial Management Standards Guide for CSBs ▪ DMHMRSAS Dept. Information ▪ CSB Information 	
General DMHMRSAS Information and Contacts	Page iii
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Governmental Health Care Reporting Model Due Date	Chapter 5, page 2

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Garland A. Adkins, Jr. , CFE, CPA Financial Management Analyst (804) 786-4511 gadkins@dmhmrsas.state.va.us CSB Assignments → Resource Support Areas: Governmental, Non-profit Tax Considerations, Audit Developments	Blue Ridge Central Virginia Crossroads Cumberland Mountain Danville-Pittsylvania Dickenson County Goochland-Powhatan	Highlands Mount Rogers New River Valley Piedmont Planning District 1 Rappahannock Area Southside
Nauri Ahmed , CGFM, CPA Financial Management Analyst (804) 371-4613 nahmed@dmhmrsas.state.va.us CSB Assignments → Resource Support Areas: Financial Management Systems, DMHMRSAS Revenue Fund	Alexandria Alleghany Highlands Arlington Fairfax-Falls Church Harrisonburg-Rockingham Loudoun County	Northwestern Prince William County Rappahannock-Rapidan Region Ten Rockbridge Area Valley
Jerry Spivey , CGFM, CFE Financial Management Analyst (804) 371-0122 gspivey@dmhmrsas.state.va.us CSB Assignments → Resource Support Areas: CSB Budgeting and Funding, Cash Management, Investments	Chesapeake Chesterfield Colonial District 19 Eastern Shore Hampton-Newport News Hanover County	Henrico Area Middle Peninsula-Northern Neck Norfolk Portsmouth BHS Richmond BHA Virginia Beach Western Tidewater
On the Website for DMHMRSAS: 1. Year 2001 Performance Contract Exposure Draft 2. Audit Guide 3. Financial Management Standards for CSBs 4. Model RFPs: Audit and Banking Services 5. Model Contracts Audit and Banking Services 6. DMHMRSAS Annual Financial Report 7. APA Form 110	Professional Reference Materials: OMB Circulars: www.whitehouse.gov/wh/eop.omb AICPA: www.aicpa.org For Research: www.agacgfm.org Auditor of Public Accounts: www.apa.state.va.us	Professional Reference Materials: U.S. Government Printing Office: www.access.gpo.gov Commerce Clearing House: www.cch.com Practitioners Publishing Company: www.ppcinfo.com Harcourt Brace Publishing: www.harbrace.com

The Office of Financial Reporting and Compliance performs these tasks: audit report desk reviews, financial reviews of CSBs, monthly and annual DMHMRSAS financial reporting, FMS user documentation, publication of audit guide, publication of annual reports, special projects and studies.

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Chapter 1: Introduction to the Audit Guide

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Objectives of This Guide

Objectives

This audit guide has several objectives as follows:

- to summarize DMHMRSAS' audit report review findings
- to provide guidance and references on audit related subjects including checklists
- to summarize DMHMRSAS reporting requirements
- to provide an introduction to the governmental health care reporting model

Financial Management Standards for CSBs

Reference

Many of the reporting guidelines for CSBs are contained in Chapter 9 of the Financial Management Standards for CSBs (FMSC) issued in July 1994.

Note: The FMSC is updated periodically and included on the website. The next complete update is planned for September 2000.

Contents

The FMSC contains 12 chapters covering such subjects as budgeting, financial manager responsibilities, internal control, accounting standards, grants management, fixed asset management, cash management, and audit requirements. The FMSC also contains appendices that amplify the chapters.

Classification of CSBs by Code

The following classification of CSBs has evolved from Chapter 10, Title 37.1 of the Code of Virginia. This source of this information is the DMHMRSAS Office of Community Contracting (Director, Paul Gilding).

Community Services Board Status			
Name of CSB	Type	Name of CSB	Type
1. Alexandria ¹	Admin. Policy	22. Loudoun County ¹	Admin Policy
2. Alleghany Highlands	Operating	23. Middle Peninsula-Northern Neck	Operating
3. Arlington County ¹	Admin. Policy		
4. Blue Ridge	Operating	24. Mount Rogers	Operating
5. Central Virginia	Operating	25. New River Valley	Operating
6. Chesapeake ¹	Admin. Policy	26. Norfolk	Operating
7. Chesterfield County ¹	Admin. Policy	27. Northwestern	Operating
8. Colonial	Operating	28. Piedmont	Operating
9. Crossroads	Operating	29. Planning District I	Operating
10. Cumberland Mountain	Operating	30. Portsmouth ¹	LG Dept. ²
11. Danville-Pittsylvania	Operating	31. Prince William County	Admin. Policy
12. Dickenson County	Operating	32. Rappahannock Area	Operating
13. District 19	Operating	33. Rappahannock-Rapidan	Operating
14. Eastern Shore	Operating	34. Region Ten	Operating
15. Fairfax-Falls Church	Admin. Policy	35. Richmond	BHA ³
16. Goochland-Powhatan	Operating	36. Rockbridge Area	Operating
17. Hampton-Newport News	Operating	37. Southside	Operating
18. Hanover County	Admin. Policy	38. Valley	Operating
19. Harrisonburg-Rockingham	Operating	39. Virginia Beach ¹	Admin. Policy
20. Henrico Area ¹	Admin. Policy	40. Western Tidewater	Operating
21. Highlands	Operating		

¹ Actual city or county government department (8 CSBs including Portsmouth)

² The only local government department with a policy-advisory CSB

³ The only behavioral health authority (BHA), established pursuant to Chapter 15 of Title 37.1 of the *Code of Virginia*; functions like an operating CSB.

Number of operating CSBs: 28 Number of local government departments: 1
 Number of administrative CSBs: 10 Number of behavioral health authorities: 1

Classification of CSBs by Budget Size and Population

2000 Combined Community Services Boards (CSBs) Classification		
Budget Size and Population Density	Operating CSBs; Behavioral Health Authorities (29)	Administrative Policy CSBs; Local Government Departments with Policy-Advisory CSBs (11)
Large Budget Urban CSBs (10)	Blue Ridge, Hampton-Newport News, Norfolk, Richmond BHA	Alexandria, Arlington, Chesterfield, Fairfax-Falls Church, Henrico Area, Virginia Beach
Medium Budget Urban CSBs (6)	Colonial, Rappahannock Area	Chesapeake, Loudoun County, Portsmouth DBHS, Prince William County
Medium Budget Rural CSBs (14)	Central Virginia, Crossroads, Cumberland Mountain, Danville-Pittsylvania, District 19, Middle Peninsula-Northern Neck, Mount Rogers, New River Valley, Northwestern, Piedmont, Rappahannock-Rapidan, Region Ten, Valley, Western Tidewater	
Small Budget Urban CSB (1)		Hanover County
Small Budget Rural CSBs (9)	Alleghany Highlands, Dickenson County, Eastern Shore, Goochland-Powhatan, Harrisonburg-Rockingham, Highlands, Planning District I, Rockbridge Area, Southside	

NOTES:

- Budget Size** is based on a composite of FY 1999 actual and FY 2000 projected budgets:
Large = \$13 million plus; Medium = \$6 million to \$13 million; Small = under \$6 million
- Population Density:** urban = 130 people or more per square mile; rural = less than 130 people
Population statistics based on 1997 Final Population Estimates (University of Virginia Center for Public Service) are current official state population figures, validated with local governments as of February, 1999.

Definitions (SFY Performance Contract)

Administrative Policy CSBs:

The CSB does not employ its own staff. The CSB's Executive Director is hired by local government with the Board's participation. Services are provided by city or county employees or through contracts with other providers. Powers and duties are enumerated in Section 37.197B of the Code of Virginia.

Operating CSBs:

The CSB employs its own staff and provides services directly or through contracts with other providers. It is not a city or county Government department. Powers and duties are enumerated in Section 37.197A of the Code of Virginia.

Policy Advisory CSB:

The CSB has no operational powers or duties; it is an advisory board to a local government department that provides services directly or through contracts with other providers. Duties of the policy-advisory CSB are enumerated in Section 37.197C of the Code of Virginia. Powers and duties of the local department are enumerated in Section 37.197A of the Code of Virginia.

Behavioral Health Authority (BHA):

BHA is the local agency, established by a city or county under Section 37.1-242 et seq. of the Code of Virginia, that plans, provides (directly or through contracts), and evaluates mental health, mental retardation, and substance abuse service in the locality it serves.

Definition - Contract Agency

Background	There is an important distinction between a contract agency and a purchase of service contract.
Contract Agency	<p>Contract agencies are generally private not for profit entities that provide services to a Community Services Board (CSB) or local government usually through a grant or shared cost arrangement. Contract Agencies are considered as sub-recipients by DMHMRSAS.</p> <p><u>Example:</u> A CSB issues a contract for 1 year for the provision of all or a portion of MR services. Payment is at a fixed amount for the year.</p>
Sub-recipients Characteristics	<p>The characteristics of sub-recipients are as follows:</p> <ul style="list-style-type: none">• has performance measured against objectives of a federal program• has responsibility for programmatic decision-making• has responsibilities for adherence to federal program requirements• uses federal funds to carry out a program of organization as compared to providing goods and services• determines eligibility for federal financial assistance
Audit Requirements	Contract agencies (sub-recipients) are required to submit audited financial statements annually to DMHMRSAS. A-133 audits may have to be performed depending on the level of federal expenditures.
Purchase of Service (POS) Contracts	<p>Purchase of service contracts are contracts with individuals or organizations for the provision of specific services to a CSB. The provider is considered to be a vendor by DMHMRSAS.</p> <p><u>Example 1:</u> A CSB issues a contract for 1 year for the provision of a portion of MR services. Payment is on a per client basis with no minimum purchase requirement.</p> <p><u>Example 2:</u> A CSB issues a contract for 1 year to an individual physician for psychiatric services. Payment is on a per client basis with no minimum purchase requirement.</p>
Characteristics of Vendors	<p>Vendors have the following characteristics:</p> <ul style="list-style-type: none">• provides goods or services within normal business operations• provides similar goods to many different purchasers• operates in a competitive environment• provides goods or services that are ancillary to the operation of the federal program• not subject to federal compliance or DMHMRSAS requirements

OMB Circular A-133

Audits of States, Local Government and Non-Profit Organizations

Background OMB Circular A-133 was revised in June 1997 as noted below.

- establishes new audit thresholds
- effective for entities with FYE June 30, 1997 and thereafter

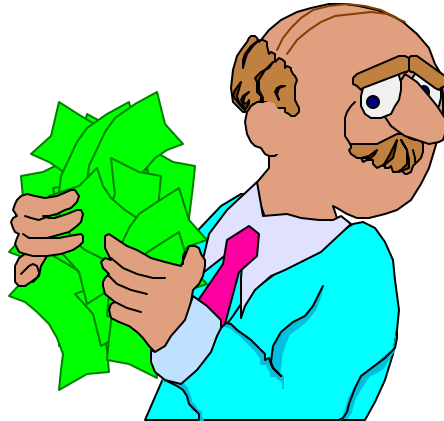
Summary of Changes The following table is a summary of some of the major changes to OMB Circular A-133.

Change	Impact
Raising threshold to \$300,000	Reduce audit costs
Federal due dates have decreased to 9 months (to be phased in): <ul style="list-style-type: none"> • 9 months for FY 2000 (Earlier of 9 months after FYE or 30 days after receipt of the audit report)	Increase timeliness of audits
Risk-based approach to major programs	Greater judgment by auditors
New certification form (DATA COLLECTION FORM)	Streamline communication of findings and questioned costs

Estimated Impact DMHMRSAS estimates that the majority of CSB Contract Agencies will fall below the new single audit thresholds. If so, annual independent audits should still be performed.

Statement of Financial Accounting Standards (SFAS 117) Financial Statements for Not-For-Profit Organizations

Background	In June of 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard #117. This statement establishes new standards for not-for-profit financial statements to meet common needs of external users beginning in FY 94.
Required Statements	<p>This pronouncement requires three statements:</p> <ol style="list-style-type: none">1. Statement of Financial Position (report total assets, liabilities, and net assets);2. Statement of Activities (report changes in net assets);3. Statement of Cash Flows (report changes in cash)
Statement of Cash Flows	This pronouncement amends FASB Statement 95, <u>Statement of Cash Flows</u> , to extend its provisions to not-for-profit organizations.
Classification of Net Assets	This pronouncement requires classification of net assets into three classes: permanently restricted, temporarily restricted, and unrestricted. (See Chapter 5, Governmental Health Care Reporting Model, of this guide).



Chapter 2: Summary of Audit Report Findings

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Graph Summary of Audit Opinions Operating CSBs - 4

Graph Summary of Audit Opinions Contract Agencies – 5

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Graph of Timeliness of Reporting – 8

Overall Summary of Audit Opinions

Introduction This chapter depicts graphically the types of audit opinions rendered for the last five fiscal years for CSBs and CSB Contract Agencies.

Opinions Rendered

Qualified Opinions:

Qualified opinions are not desirable because the auditor has determined that the financial statements are not presented in accordance with generally accepted accounting principles.

Unqualified Opinions:

An unqualified or "clean" opinion is desirable because the auditor has determined that the financial statements are presented in accordance with generally accepted accounting principles.

Summary The following table summarizes audit opinions for fiscal year ending June 30, 1999.

Type of Audit Opinion	CSBs Receiving Audits*	CSBs Audited with Local Govt.*	Contract Agencies*
Unqualified	93% (26)	100% (12)	96% (22)
Qualified	7% (2)	0%	4% (1)

* See Chapter 1, Introduction to the Audit Guide, bottom of Page 3 for CSB breakdown.

Listing: Audit Report Review Findings

This table presents findings per DMHMRSAS review of audit reports for CSBs and CSB Contract Agencies.

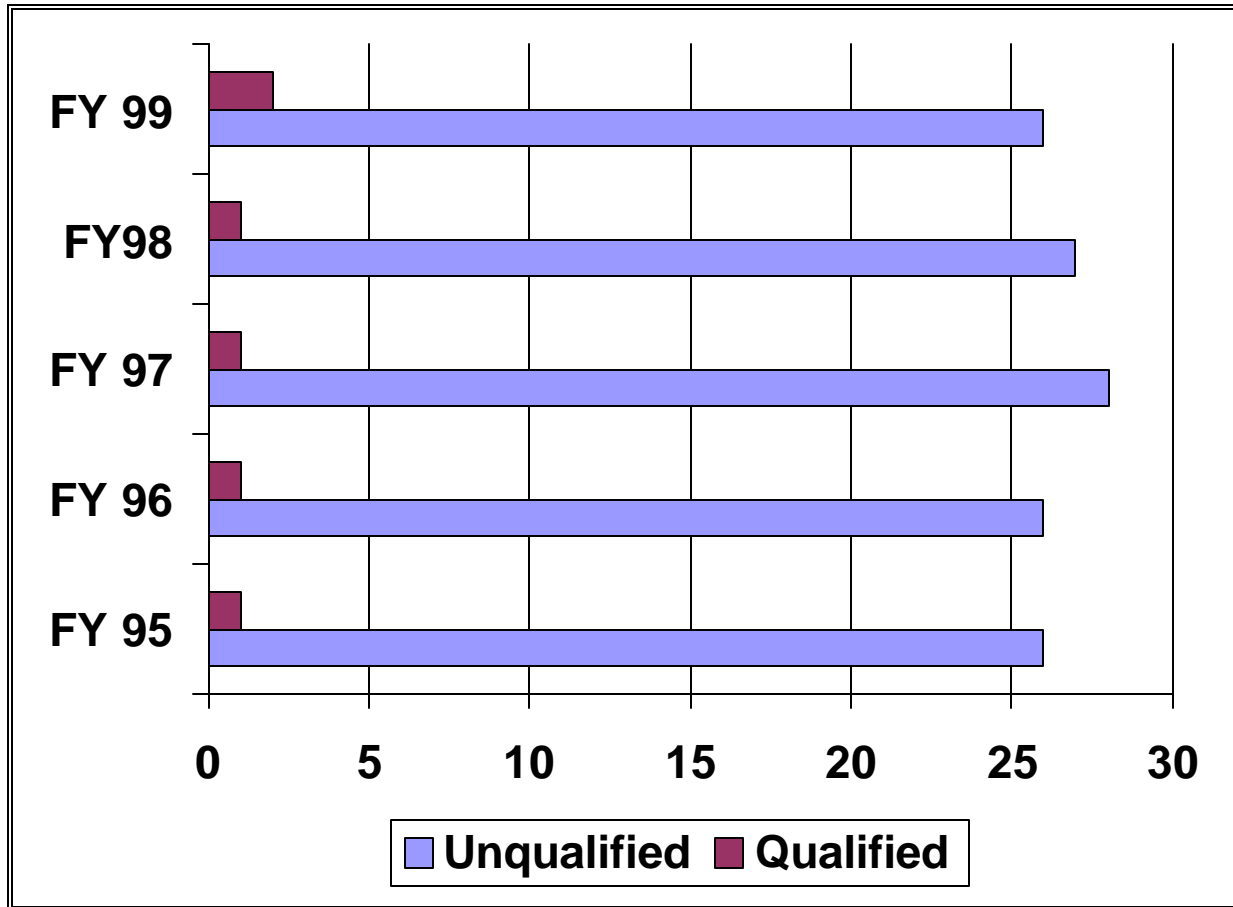
Finding No.	Description of Finding	Number of Findings:		
		CSB*	Contract Agency	County CAFR*
1	Only one (1) copy of the audit report received by DMHMRSAS.	3	7	
2	The audit report was received late by DMHMRSAS	9	16	3
3	No response was received to DMHMRSAS' FY98 desk review report.	1	1	
4	No response was submitted to DMHMRSAS by the CSB in reference to the independent auditor's management letter.	2	4	
5	A management letter was not submitted by the auditor.	3	5	
6	The audit report did not reference applicable APA Specifications.	1	3	
7	A qualified auditor's opinion was received.	2	1	
8	The basis of accounting was not disclosed in the notes.		1	
9	Reports on Compliance with Requirements: A reportable condition was reported.	3	1	
10	Report on Compliance with Requirements: A material weakness was reported.	2		
11	An operating deficit was reported.	8	6	
12	The single audit report did not reference applicable standards.	6	1	
13	No corrective action plan in reference to Schedule of Findings and Questioned Costs was submitted.	1		
14	A Report on Compliance with Requirements was not submitted.		1	
15	Schedule of Expenditures of Federal Awards: A reconciling difference was reported	1		
16	A Schedule of Expenditures of Federal Awards was not presented.	2	1	
17	A Schedule of Insurance was not presented.	3		
18	Comparative financial statements were not presented.	2	5	
19	The status of prior year findings and questioned costs was not presented.	1		
20	Client funds held by the CSB were not reported in the financial statements.	1		
21	A note disclosure was inadequate and or not fully explained.	8		
22	The Schedule of Insurance was missing several elements.	1	1	
23	Pension cost information was not presented.	1		
24	Risk management was not disclosed (or fully disclosed).	2		
25	The Statement of Activity did not specify the nature of total "Government Awards Programs" funding.		1	
	Totals >>>	63	55	3
	Audit reports received on time	23	7	5

* See Chapter 1, Introduction to the Audit Guide, bottom of Page 3 for CSB breakdown.

Operating CSBs

Summary of Audit Opinions

FY 95 - FY 99



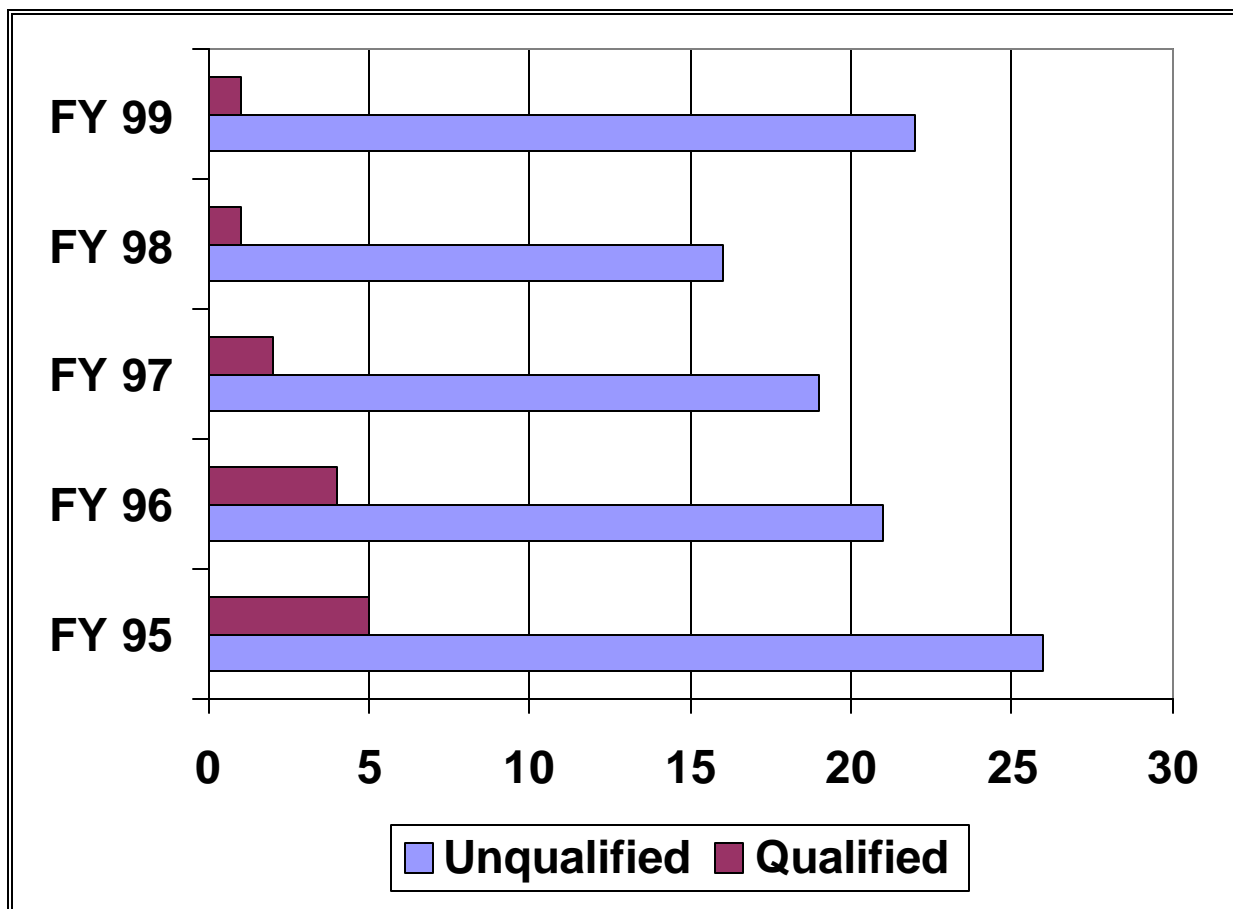
Type of Audit Opinion	FY 95*	FY 96*	FY 97*	FY 98*	FY 99*
Unqualified	26	26	28	27	26
Qualified	1	1	1	1	2

* Does not include: Administrative Policy CSBs (10); Local Govt. Department (1); and Behavioral Health Authority (1). See Chapter 1, Introduction to the Audit Guide, bottom of Page 3.

CSB Contract Agencies

Summary of Audit Opinions

FY 95 - FY 99



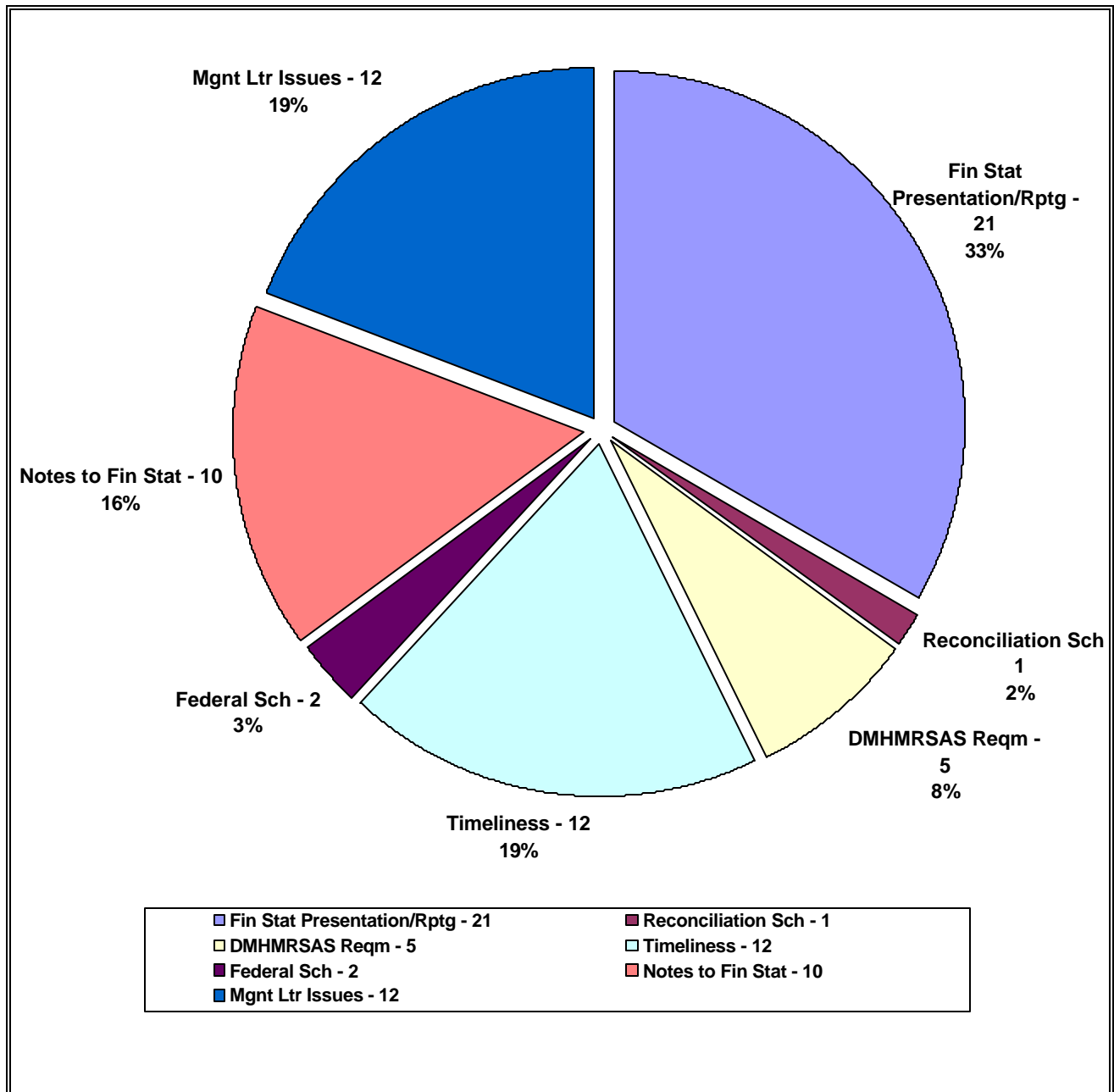
Type of Audit Opinion	FY 95	FY 96	FY 97	FY 98	FY 99
Unqualified	26	21	19	16	22
Qualified	5	4	2	1	1

Operating CSBs

Summary of Audit Report Findings

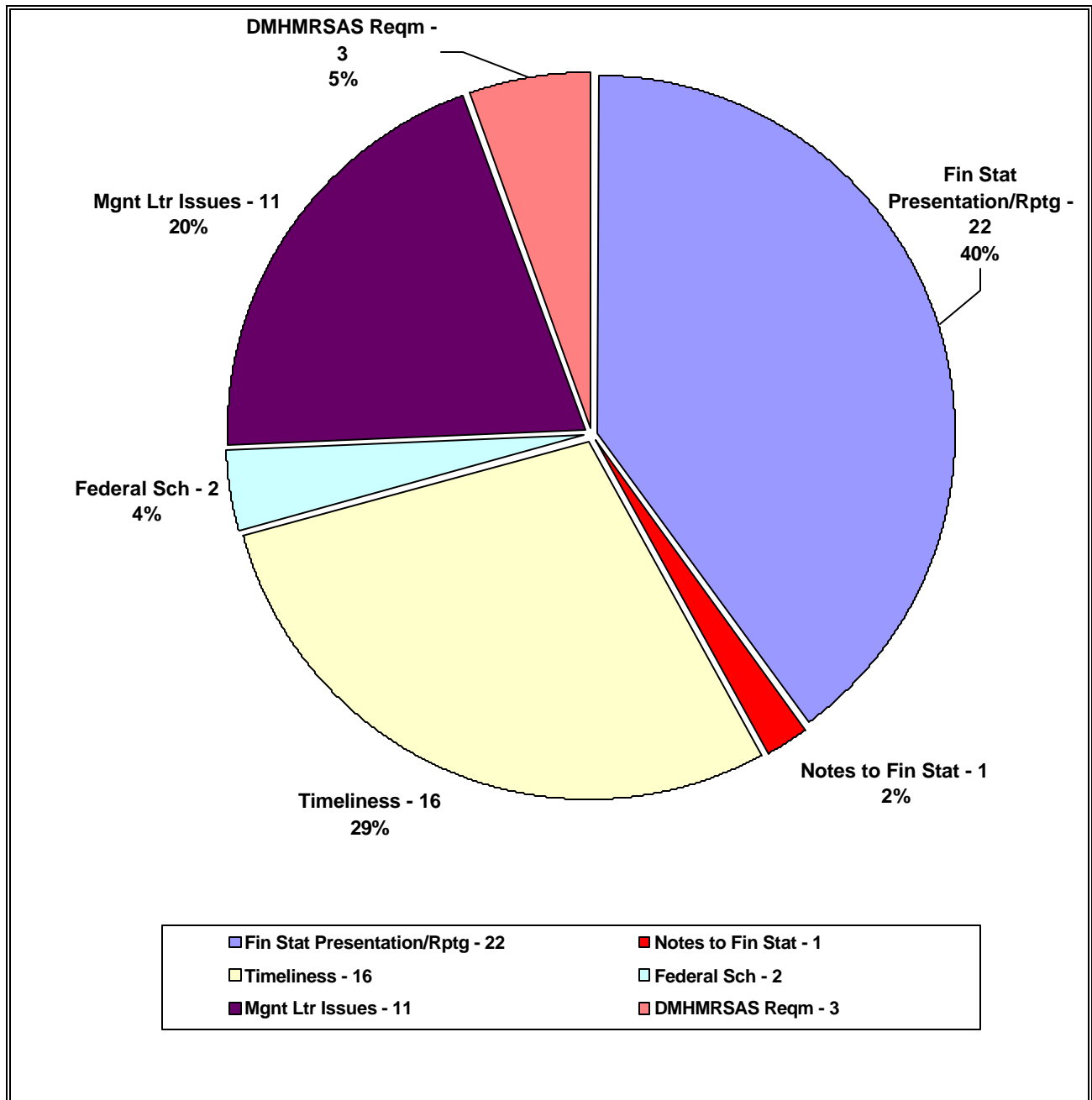
FY 1999

Total Findings by Category = 63



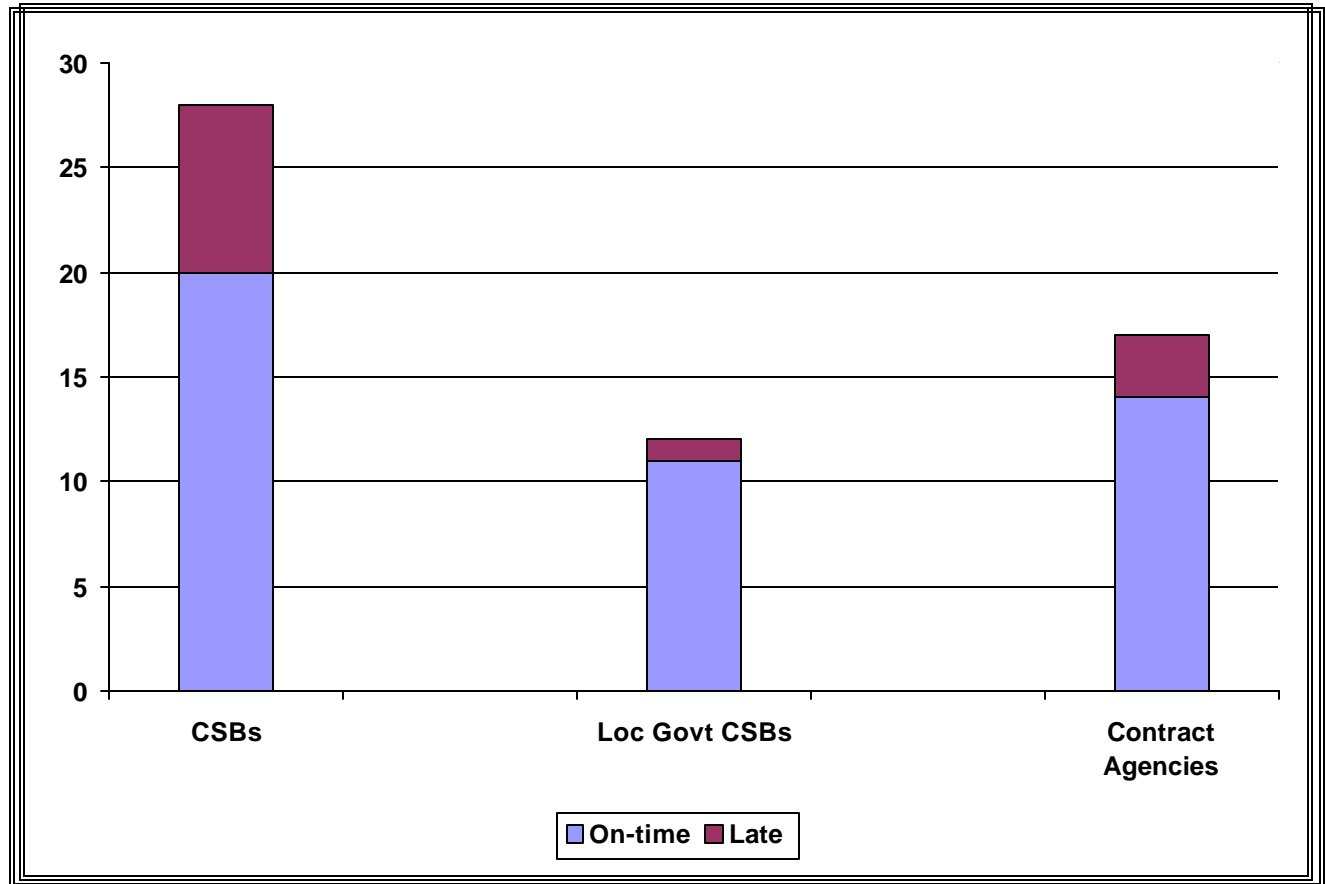
CSB Contract Agencies summary of Audit Report Findings FY 1999

Total Findings by Category = 55

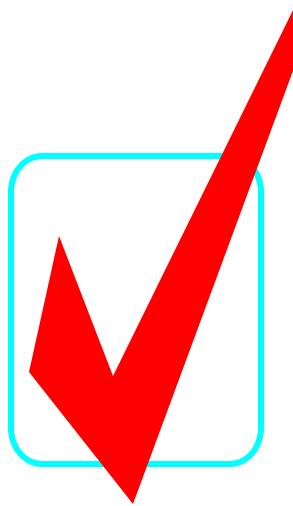


Timeliness of Reporting

FY 1999



Finding	CSBs Regular Audits	CSBs Audited with Local Govt.	CSB Contract Agencies
On-time Reporting	20 (71%)	11 (92%)	14 (82%)
Late Reporting	8 (29%)	1 (8%)	3 (18%)



Chapter 3: Desk Review Checklist

Introduction and Overview - 2

Desk Review Checklist - 3

Confirmation Request – 4th Qtr. Revenues and Expenses - 11

Introduction and Overview

Introduction	<p>The Desk Review Checklist was adapted from the Virginia Auditor of Public Accounts (APA) and is presented on the following pages. The checklist is used by DMHMRSAS to review annual audits of both CSBs and CSB Contract Agencies. Audit report review findings are mirror images of the steps as listed on the Desk Review Checklist.</p>
APA References	<p>The references listed below are not specifically applicable to CSBs. Much of the information, however, is useful and may apply to CSBs.</p> <ol style="list-style-type: none">1. Uniform Financial Reporting Manual (UFRM)2. Specifications for Audits of Counties, Cities, and Towns (SPECS)
Confirmation Request	<p>The purpose of this confirmation request is to obtain a confirmation of CSB revenues and expenditures as reported on the fourth quarter report each year and to eliminate reconciliations between the fourth quarter report and the CAFR. The Confirmation Request should be reviewed and approved by local government Finance Directors.</p> <p>The Desk Review Checklist and Confirmation Request are shown on the pages that follow.</p>
Note	<p>The Governmental Health Care Reporting Model Checklist is shown in Chapter 5.</p>

Desk Review Checklist

Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services		Analyst:				
Desk Review Checklist		Date:				
CSBs and CSB Contract Agencies		Reviewer:				
Financial Statements Date: FYE 06/30/00						
CSB or CSB Contract Agency Name:						
Audit Firm:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
	Purpose of Desk Review Checklist: The purpose of this checklist is to review the auditor's reports and financial statements of the CSB. This in no way is an exhaustive or complete review. The emphasis is on financial statement presentation and note disclosure as well as the auditor's reports.					
A	SECTION A: TIMELINESS OF REPORTING					
1	Audit reports are due Nov. 30 for FYE 6/30. Contract agency audits are due within 5 months of FYE. Date received _____: On time? (Note: 2 copies should be submitted to DMHMRSAS).					
2	Was report received on time?					
3	Did the CSB/Agency respond to the FY 99 Desk Review Report?					
B	SECTION B: MANAGEMENT LETTER					
1	Does the report include a management letter?					
2	Does the management letter include specific recommendations?					
3	Is a Plan of Correction or response included with the management letter?					
C	SECTION C: INDEPENDENT AUDITOR'S REPORT					
1	Was the audit of the entire entity? (DMHMRSAS discourages program audits).					
2	Does the report contain a title that includes the word "independent"? (AU 508.08a)					
3	Does the report contain a statement the audit was conducted in accordance with GAAS, GAS, and applicable APA Specifications? (AU 508.08d; GAS 5.13; SOP 98-3 10.35d; Specs 8-29.12)					
4	Does the report contain an opinion on the combined (general purpose), combining, and individual fund financial statements? (Specs 8-29.12)					
5	Is the report "Unqualified" or "Clean"? Reason for qualification?					
6	Does the report refer to cash flows if a statement of cash flows was included in the report? (AU 508.06; AU508.08b)					
7	Does the report opine to or disclaim an opinion on, statistical data, if any? (AU 551.06d)					
8	Does the report refer to the predecessor auditor, if applicable? (AU 508.12)					
9	If GAS applies, is reference made to separate reports on internal controls and compliance?					
10	If GAS applies, is reference made to the Schedule of Expenditures of Federal Awards and OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> ?					
D	SECTION D: FINANCIAL STATEMENT PRESENTATION AND NOTES					
1	Do the notes describe the reporting entity?					
2	Do the notes indicate the basis of accounting as modified accrual? If not, what is the basis?					
3	Are fold out pages omitted?					
4	Is a Table of Contents presented?					

Desk Review Checklist

	CSB/CSB Contract Agency:	(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
5	Did we receive a spiral bound report?					
6	Are pages numbered?					
7	Are the majority of pages presented with a portrait orientation?					
E	SECTION E: FINANCIAL CONDITION					
1	Are the financial statements free of operating deficits?					
2	Are the financial statements free of fund balance deficits?					
F	SECTION F: SINGLE AUDIT REPORTS					
1	Have over \$300,000 in federal grants been received? If not, single audit is not necessary and the remaining questions should be answered "N/A".					
	REPORTS ON COMPLIANCE AND INTERNAL CONTROL					
2	Does the report reference the audit of the financial statements and describe any departure from the standard report (i.e., opinion qualification due to lack of fixed asset account group, reliance on the work of other auditor, etc.)? (1994 ASLGU 24.04 and 24.07)					
3	Does the report reference the appropriate standards (i.e., GAAS and GAS)? (ASLGU 24.04 and 24.07)					
	Does the Compliance Paragraph (clean report) :					
4	indicate "we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants"?					
5	indicate "the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards"?					
	Does the Internal Control Over Financial Reporting Paragraph (clean report):					
6	define "material weakness"?					
7	indicate "we noted no matters involving the internal control over financial reporting and its operation that we consider a material weakness"?					
	Does the Compliance Paragraph (noncompliance and reportable conditions): (This is N/A if clean report).					
8	indicate that "we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants"?					
9	indicate "our tests disclosed instances of noncompliance... which are described in the accompanying schedule of findings and questioned costs"?					
	Does the Internal Control Over Financial Reporting Paragraph (noncompliance and reportable conditions): (This is N/A if clean report).					
10	define "material weakness"?					
11	define "reportable conditions"?					
12	refer to the accompanying schedule of findings and questioned costs where reportable conditions are described?					
	REPORTS ON COMPLIANCE WITH REQUIREMENTS					
	Does the report:					
13	Reference "the types of compliance requirements described in OMB Circular A-133 Compliance Supplement"?					
14	Reference the appropriate standards (i.e, GAAS, GAS, and OMB Circular A-133)? (ASLHU 24.04 and 24.07)					

Desk Review Checklist

CSB/Contract Agency:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
15	Does the Compliance Paragraph (clean report) indicate "complied, in all material respects"?					
	Does the Internal Control Over Compliance Paragraph (clean report):					
16	Define "material weakness"?					
17	Indicate "we noted no matters involving...that we considered to be a material weakness"?					
	Does the Compliance Paragraph (qualified opinion on compliance and reportable conditions): (This is N/A if clean report).					
18	Reference "the types of compliance requirements described in OMB Circular A-133 Compliance Supplement"?					
19	Reference the appropriate standards (i.e., GAAS, GAS, and OMB Circular A-133)? (ASL GU 24.04 and 24.07)					
20	Indicate "as described...in the accompanying schedule of findings and questioned costs...did not comply with requirement regarding..."					
	Does the Internal Control Over Compliance Paragraph (qualified opinion on compliance and reportable conditions): (This is N/A if clean report).					
21	Define "material weakness"?					
22	Define "reportable condition"?					
23	Indicate "we noted certain matters...that we consider to be reportable conditions"? These should be described in the schedule of findings and questioned costs.					
24	Indicate whether or not reportable conditions are considered to be material weaknesses?					
25	Is the report free of reportable conditions?					
26	Are reportable conditions determined to be material weaknesses?					
	SCHEDULE OF FINDINGS AND QUESTIONED COSTS					
27	Are reportable conditions noted in #F26 above reported?					
28	Are instances of noncompliance noted in #F20 above reported?					
29	Are questioned costs reported by the auditor?					
30	Was a response to the corrective action plan, if applicable, prepared by the CSB and/or Contract Agency?					
	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS					
31	Are grand totals presented?					
32	Does the report have the correct title?					
33	Are major programs identified?					
34	Are Federal Agencies identified?					
35	Are CFDA numbers presented?					
36	Did the CSB submit a reconciliation of federal funds to the 4 th Quarter Report?					
G	SECTION G: DMHMRSAS DISCLOSURES (The following disclosure issues are defined in Chapter 4 of the CSB Audit Guide) NOTE DISCLOSURE:					
1	Is information on Local Funding disclosed or on face of statements?					
	FINANCIAL REPORTING:					

Desk Review Checklist

	CSB/Contract Agency:	(Report all “NO” answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
2	Are client funds reported in Agency Fund?					
3	Are client loans reported as Accounts Receivable in the Special Revenue Fund?					
4	Is interest earned separately presented?					
5	Is a comparative presentation made?					
	SUPPLEMENTAL REPORTS:					
6	Is the Status of Prior Year Findings and Questioned Costs reported?					
7	Is a Schedule of Findings and Questioned Costs presented?					
	SUPPLEMENTAL SCHEDULES:					
8	Are Reconciliation Schedules presented when applicable?					
9	Is a Schedule of Insurance presented? Does schedule present the following information:					
10	Company agent?					
11	Coverage description?					
12	Policy number?					
13	Period covered?					
14	Limits of liability?					
15	Deductible?					
16	Premium?					
	OPTIONAL INFORMATION:					
17	Is a list of current Board Members and management team presented?					
18	Is an organizational chart presented?					
19	Is Computer Systems Information presented?					
20	Are client statistics presented?					
21	Has the Government Health Care Model been adopted?					
	GASB 27, Accounting for Pensions by State and Local Government:					
22	Is 3-Year Trend Information Presented (APC – Annual Pension Cost; % of APC contributed; net pension obligation, etc.)?					
23	Is a Schedule of Funding Progress presented showing actuarial valuation date, actuarial value of assets, actuarial accrued liability (AAL), unfunded actuarial accrued liability (UAAL), funded ratio, P/R, and percent?					
H	SECTION H: COMBINED FINANCIAL STATEMENTS					
	Combined Balance Sheet – All Funds and Account Groups (GASB Code Section 2200.108):					
1	Does cash and investments agree to the balance sheet per GASB 3 note?					
2	Have all funds been classified to the proper fund group(s)?					
3	Is the presentation of discrete component units proper?					
4	Is a Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds and Expendable Trust Funds (GASB Code Section 2200.110) presented?					
5	Is a Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue, Debt Service and Capital Projects Funds (GASB Code Section 2400.102 and 603) presented?					

Desk Review Checklist

CSB/Contract Agency:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
6	Is a Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances – All Proprietary Funds and Similar Trust Funds – includes pension trust and nonexpendable trust funds (GASB Code Section 2200.109 and 607) presented?					
7	Is a Combined Statement of Cash Flows (GASB 9) – for proprietary/enterprise funds presented?					
I	SECTION I: COMBINING FINANCIAL STATEMENTS OR INDIVIDUAL FUND STATEMENTS					
1	Is a Special Revenue Funds – Combining Balance Sheet presented?					
2	Is a Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual presented?					
3	Is an Agency Funds – Statement of Changes in Assets and Liabilities presented?					
4	Review all combining statements for negative fund balances. If negative fund balances are noted, determine that a footnote disclosing deficit fund balances/retained earnings was included in the CAFR.					
5	Does Special Revenue Fund include MH, MR, and SA Funds?					
J	SECTION J: NOTES TO FINANCIAL STATEMENTS (Note: Parenthetical references are GASB Codification Sections unless otherwise noted. Refer to Section 2300 of the Codification for a listing of required footnote disclosures.)					
	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:					
1	Reporting Entity (2100.121-122 and 2600.115-116, and as amended for GASB 14)					
2	Determine that the notes lists all entities combined to form the reporting entity and the key decision criteria used to determine inclusion or exclusion.					
	Financial Statement Presentation:					
3	Governmental Funds (1600.105) disclosed?					
4	Proprietary Funds disclosed?					
5	Fiduciary Funds (Trust and Agency Funds) disclosed?					
6	Account Groups disclosed?					
7	Comparative Data disclosed?					
8	Agree funds shown in footnote to those used in the statements					
	Basis of Accounting: (1600)					
9	Governmental Funds (modified accrual) disclosed?					
10	Proprietary Funds (accrual) disclosed?					
11	Fiduciary Funds (pension/nonexpendable trust – accrual; expendable trust/agency – modified accrual) disclosed?					
12	Is the basis of accounting appropriate?					
13	Budgets and Budgetary Accounting (2400.102-112)					
14	Investments (150)					
15	Inventory (1600.122 and 2200.603)					
16	General Fixed Assets (1400.106-113)					

Desk Review Checklist

CSB/Contract Agency:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
17	Amount of Allowance for Uncollectible Accounts (or on Face of Balance Sheet) and Method of Calculation. (2200.603)					
18	Definition of cash equivalents used in Statement of Cash Flows (2450.106-108) – if CSB has proprietary funds					
19	Total Columns on Combined Statements – Overview (2200.113)					
20	Leave Policies (C60)					
21	Deposits with Financial Institutions, Investments (including Repurchase Agreements) – (GASB Statement 3, I50.161-171 and I50.601-602)					
22	Due from Other Governmental Units (UFRM pages 6-38)					
23	Interfund Receivables and Payables (1300.110)					
24	Changes in General Fixed Assets (2200.106 and 1400.119)					
25	Proprietary Fixed Assets (1400.114-115) (Detail may be included here or on face of balance sheet).					
	Long-term Debt:					
26	Description of Leases Outstanding (1500)					
27	Summary of Debt Service Requirements to Maturity (1500.108)					
	Changes in General Long-term Debt (1500.118):					
28	If the entity has capital leases, determine that the note included obligations under capital leases.					
29	Determine that the notes include compensated absences.					
30	Commitments and Contingencies (C50/60 and T25.103) (Note: At a minimum, CSBs should disclose potential reimbursements to federal and state funding agencies as a result of audit or review).					
	Retirement Plan – Pension Plan Obligations (GASB Statement 5, PE6.601)					
31	If the local government participates in the Virginia Retirement System (VRS), determine that the footnote language follows the sample provided by our office and contains the required elements in GASB Statement 5, paragraph 35.					
32	If the CSB participates in a retirement plan other than VRS, determine that the footnote contains all the required elements in GASB Statement 5.					
33	Deferred Revenue – By Type (UFRM pages 6-45)					
	Significant Contingent Liabilities (including litigation (1500.110; GAFR page 267)					
34	If significant questioned costs are noted, determine that the contingent liability note appropriately discloses the potential liability.					
35	Fund Balance Designations (1800.124)					
36	Lease Obligations – Capital and Operating (GASB 13, L20.129)					
37	Deferred Compensation Plans (GASB Statement 2, D25.601)					
38	Deficit Fund Balances or Retained Earnings of Individual Funds (2300.104)					
39	Related Party Transactions (FAS 57, 2300.105)					
40	Significant Effects of Subsequent Events ((FAS 5, p. 11; SAS-1, 2300.104)					
41	Risk Management (for entities other than public entity risk pools) (GASB Code Section C50.141; GASB 10 and 30)					
K	SECTION K: NOTES TO FINANCIAL STATEMENTS (Other Information – Definitions and Examples)					

Desk Review Checklist

CSB/Contract Agency:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
	Definition: a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. Risk may include property and liability, workers' compensation or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor. Examples in Virginia: VMA and VARISK.					
1	a description of the risks of loss to which the entity is exposed and the ways in which they are handled (e.g., purchase of commercial insurance, participation in a public entity risk pool, risk retention).					
2	a description of significant reductions in insurance coverage from the prior year by major category of risk, and an indication of whether the settlements exceeded insurance coverage for each of the past 3 fiscal years.					
3	if entity participates in a risk pool, a description of the nature of the participation, including the rights and responsibilities of both the entity and the pool.					
4	if the entity retains the risk of loss (i.e., is self-insured), then the note should disclose:					
5	the basis for estimating the liabilities for unpaid claims.					
6	the carrying amount of liabilities for unpaid claims that are presented at present value in the financial statements and the range of discount rates used to discount those liabilities.					
7	the aggregate outstanding amount of daims liabilities for which annuity contracts have been purchased in claimant's names.					
8	a reconciliation of changes in the aggregate liabilities for claims (including IBNR claims) for the current fiscal year and prior fiscal year, in the following tabular format:					
9	amount of claims liabilities at the beginning of the fiscal year.					
10	incurred claims (current and prior year)					
11	Payments on claims (current and prior years)					
12	amount of claims liabilities at the end of the fiscal year.					
L	SECTION L: 501 C (3) CORPORATIONS (Use separate sheet if necessary.)					
1	Does the CSB have a 501 C (3) corporation? (If yes, the name, purpose, nature, and whether the 501 C (3) is a component unit should be presented).					
M	SECTION M: CONCLUSIONS					
	In my opinion, the report is:					
1	Acceptable, and requires no or only minor corrections.					
2	Substandard and requires the correction of one or more major audit deficiencies.					
3	Significantly inadequate and should be considered for referral to the Auditor of Public Accounts.					
	In my opinion, follow-up audit work:					
4	Should be considered. (Describe any issues that warrant follow-up.)					
5	Should not be considered.					
6	Write the report to include a cover letter addressed to the CSB Executive Director and findings. The report should be properly reviewed and approved prior to mailing. See distribution list in the next step.					

Desk Review Checklist

[illegible]

Local Government CSB Confirmation Request

CONFIRMATION REQUEST

Local Virginia Government
Department of Finance
FY 2000

Confirmation of the following cash basis revenues and expenditures is requested concerning the Local Virginia Government Community Services Board for FY 2000. This information is a summary of the 4th Quarter Performance Report submitted.

Revenues	State	Local	Fees	Federal	Other	Total
Mental Health						
Mental Retardation						
Substance Abuse						
Administration						
Total (per 4 th Qtr Rpt)						

Expenditures	Personnel	Operating	Support	Other	Other	Total
Mental Health						
Mental Retardation						
Substance Abuse						
Administration						
Total (per 4 th Qtr Rpt)						

The total revenues and total expenditures reported above agree with the Local Virginia Government's general ledger on a cash basis.

Director of Finance

Local Virginia Government
Printed Name

Date: _____

If the revenues and expenditures do not agree, please attach an explanation or reconciliation.

Please mail or fax responses by Feb 1, 2001 to:

Ken Gunn, CPA, Director
Office of Financial Reporting and Compliance
DMHMRSAS
P.O. Box 1797
Richmond, VA 23218

Fax: (804) 692-0076
Phone: (804) 786-1994



Chapter 4: Reporting Guidelines and Requirements

Introduction and Overview - 2

Audit Reporting Guidelines - 2

Additional Disclosures Operating CSBs - 4

Additional Disclosures CSB Contract Agencies - 6

Publication Requirements - 7

Audits of States, Local Governments, and Not-for-Profits - 8

Introduction and Overview

Introduction

This chapter covers state and federal reporting guidelines and requirements for CSBs and CSB Contract Agencies. A section requesting additional disclosures is also presented.

Audit Reporting Guidelines

The table below summarizes audit reporting due dates for fiscal years ending June 30 For CSBs and CSB Contract Agencies.

Document Description	APA Due Date	DMHMR Due Date	Fed. Due Date
Audit Reports: CSBs	Oct. 1*	Nov. 30	Note 1
Audit Reports: Local Government CSBs	Nov. 30	Nov. 30	Note 1
Audit Reports: CSB Contract Agencies	N/A	Nov. 30	Note 1
Audit Reports: CSB Related Organizations	N/A	Nov. 30	Note 1
APA Form 110	Nov. 30	N/A	Note 1

* Although the October 1 due date is required by statute, the APA has agreed not to penalize CSBs that submit their audit reports by November 30.

Note 1: Where total federal expenditures exceed \$300,000, submit two (2) copies of the reporting package. For fiscal years ending June 30, the due date is March 31 of the next fiscal year (9 months after year-end) or 30 days after receipt of the audit report whichever is earlier.

Management Letters

Management Letters offer valuable suggestions for improvement in financial management and internal controls to a CSB and CSB Contract Agency. Executive Directors should request that auditors provide a management letter with each audit. These letters:

- add value to the audit process,
- improve financial management, and
- may lead to additional services to a CSB or CSB Contract Agency.

Responses

Plans of Correction or responses to auditor communication, such as Management Letters and Reports on Internal Control and Compliance, and any separate letters should be prepared by the CSB or CSB Contract Agency. The plans should be addressed to the auditor with a copy to DMHMRSAS. The plans should:

- show responsiveness to the auditor,
- show management's commitment, and
- comply with the Single Audit Act.

Audit Reporting Guidelines

Continued

CSB Related Company Audit Reports

All CSB related company audit reports should be submitted to DMHMRSAS for review.

Definition: A CSB related company is any organization or company that the CSB formed for purposes such as holding real estate, acquiring debt, or fund raising. These companies are not component units by definition. DMHMRSAS is requesting copies of all non-component unit related company audits.

Where to send Audit reports?

The audit reports noted above (including number of copies) should be sent to the following addresses.

APA (1Copy):

Auditor of Public Accounts
Local Government Manager
James Monroe Building, 8th Floor
P.O. Box 1295
Richmond, VA 23214-1295

Federal Government (2 Copies):

Federal Audit Clearinghouse
Bureau of the Census
1201 East 10th Street
Jeffersonville, IN 47132

DMHMRSAS (2 Copies):

Kenneth M. Gunn, Jr., CPA
Director, Office of Financial Reporting
and Compliance
P.O. Box 1797
Richmond, VA 23218-1797

Local Governments (1 Copy):

Operating CSBs should send 1 copy of their audit report to each local government that funds the CSB.

Additional Disclosures - Operating CSBs

Introduction	Additional disclosures are requested for inclusion in annual audit reports. These disclosures are based on governmental accounting and not the governmental health care reporting model that is presented in Chapter 5.						
Comparative Presentation	Comparative presentations of the current and previous fiscal year should be made for: <ul style="list-style-type: none">• Combined Balance Sheets,• Combined Statements of Revenues and Expenditures, and• Statement of Cash Flows, if applicable.						
Client Funds	Client funds held by the CSB should be recorded on the CSB's general ledger and reported in an Agency Fund on the financial statements. A note disclosure should be made as well.						
Client Loans	Temporary loans to clients should be recorded on the CSB's general ledger and presented as a receivable in the Special Revenue Fund on the financial statements.						
Interest	Interest earnings should be separately presented on the Combined Statement of Revenues and Expenditures. Do not include in other or miscellaneous income.						
Local Funding	<p>The notes should contain a description of the local funding amounts as requested by the APA. Report "In-Kind" contributions separately, if applicable. The APA uses this information when preparing the annual <u>Comparative Cost of Local Government Report</u>.</p> <p><u>Example:</u></p> <p>Note (): Local Government Contributions</p> <p>Local government funding for the year ended June 30, 20xx was as follows:</p> <table><tr><td>City of Hampton</td><td>\$ 50,000</td></tr><tr><td>City of Newport News</td><td><u>75,000</u></td></tr><tr><td>Total</td><td>\$125,000</td></tr></table>	City of Hampton	\$ 50,000	City of Newport News	<u>75,000</u>	Total	\$125,000
City of Hampton	\$ 50,000						
City of Newport News	<u>75,000</u>						
Total	\$125,000						
Status of Prior Year Findings	Audit reports should contain such a report if the prior year audit had reportable conditions or instances of non-compliance.						
Schedule of Findings and Questioned Costs	A Schedule of Findings and Questioned Costs should be included in the audit report that details federal catalog number, problems, auditor's recommendations, and questioned costs. If none, the Schedule should so state.						

Additional Disclosures - Operating CSBs

Continued

Reconciliation Schedules

Audit reports should contain reconciliation schedules that reconcile audited revenues and expenditures with DMHMRSAS'4th Quarter Report. See Example below.

Example:

DESCRIPTION	MH	MR	SAS	ADMIN	OTHER	TOTAL
Per 4 th Qtr Report						
Accruals (List)						
Per Audit Report						

Notes:

1. Three (3) separate reconciliations are needed: Total Revenues, Total Expenditures, and Federal Revenue.
2. Reconcile governmental funds only (exclude proprietary funds) if using the governmental model of financial reporting.
3. Indicate the date and version of the 4th quarter report used.

Schedule of Insurance

A Schedule of Insurance should be presented. The schedule should contain the information as indicated below.

Agent's Name	Coverage Description	Policy Number	Period Covered	Limits of Liability	Deductible Amount	Premium Amount

Optional Information

The information requested below is optional but recommended.

- List of board members and management
- Organizational chart (names and titles)
- Client statistics (last 10 years, if available)
 - Unduplicated clients served
 - Mental health residential client days
 - Mental retardation residential client days
- Computer systems information

Example:

Description/Application	Vendor/Name/Model	Notes/Developmental Stage/Implementation Date

Additional Disclosures - CSB Contract Agencies

Introduction	Additional disclosures are requested for inclusion in the annual audit report for CSB Contract Agencies. Refer to the heading below.
Funding Sources	<p>The financial statements or notes should disclose the source of funding, in particular, from:</p> <ol style="list-style-type: none">1. CSBs, if several CSBs fund the organization.2. Federal grant funding (The organization should identify any federal funding that is passed through indirectly from the state, or that is received from the federal government).
Notes	<p>The notes should be comprehensive in scope and provide useful information to the reader. This information should include but is not limited to:</p> <ol style="list-style-type: none">1. Reporting entity – a description of the mission, nature of the entity, and services provided.2. Basis of accounting (normally accrual basis).3. Other notes necessary for GAAP presentation.
Schedule of Findings and Questioned Costs	A Schedule of Findings and Questioned Costs should be included in the audit report which appropriately details federal catalog numbers, problems, auditor's recommendations, and questioned costs.
Presentation	<p>In addition to adhering to GAAP, the audit report presentation may be improved by:</p> <ol style="list-style-type: none">1. Presenting it in a spiral bound report.2. Including a table of contents and page numbers.3. Designing pages to be read in a portrait orientation like a book.

Publication Requirements - Summary Statement

Introduction

Section 2.1-164 of the Code of Virginia requires the publication of a summary statement of financial condition. This applies to operating CSBs. The summary should be published in a newspaper of general circulation in localities that the CSB serves. The summary should be published at the time the audit report is issued.

As a suggestion, the operating CSB should request that the auditor prepare this Summary Statement. This will streamline the reporting process.

Example

The following example should suffice in meeting the Code requirement.

Virginia CSB
Summary Statement of Financial Position
As of June 30, 20xx

Total Assets
Total Liabilities
Fund Balances
Total Liabilities and Fund Balance

Revenues
Expenditures
Other Sources or Uses
Net Change in Fund Balances

Detailed financial statements are available for inspection at:

Virginia CSB: _____
Address: _____

SOP 98-3:
Audits of States, Local Governments and Not-for-Profit
Organizations Receiving Federal Awards

Introduction

This section discusses some of the Auditor Reporting Requirements of AICPA SOP 98-3 Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards issued March 17, 1998.

**A-133
Reporting
Package**

The A-133 Reporting Package consists of the following:

1. Financial statements and Auditor Reports,
2. Schedule of Expenditures of Federal Awards,
3. Summary Schedule of Prior Audit Findings,
4. Corrective Action Plan, and
5. Data Collection Form (must be signed by the CSB or CSB Contract Agency). This form represents a summary of the reporting package. The auditor completes certain sections and also signs the form, which is available on OMB website.

**Overall
Auditor
Reports**

Audit reports should contain the following:

1. Independent Auditors' Report (opinion on financial statements and schedule of expenditures of federal awards).
2. Report on Internal control (related to financial statements and related to major programs).
3. Report on Compliance with laws, regulations, contract and grants.
4. Schedule of Expenditures of Federal Awards as noted below.

Virginia CSB
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA	Pass Through Entity ID# (If applicable)	Federal Expenditures
US Dept. of HHS: VA DMHMRSAS: Mental Block Grant	93.958	N/A	\$357,000
Total US Dept. of HHS			\$357,000
Total Expenditures of Fed. Awards			\$357,000

5. Schedule of Findings and Questioned Costs (should incl. 3 sections).
 - a) Summary of auditor's results,
 - b) Findings related to financial statements,
 - c) Findings and questioned costs for federal awards.
6. Summary Schedule of Prior Audit Findings (include status of prior audit findings, if any, and reference number, SFQC).
7. The CSB or Contract Agency is required to prepare a Corrective Action Plan for each of the current year's finding. Some organizations include with the Schedule of Findings and Questioned Costs.

**Address: A-133
Reporting
Package**

Federal Audit Clearinghouse, Bureau of the Census
1201 E. 10th Street
Jefferson, IN 47132

Due date: for FYE 06/30/00 is 03/31/01



Chapter 5

Governmental Health Care Reporting Model

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Background Information – 2

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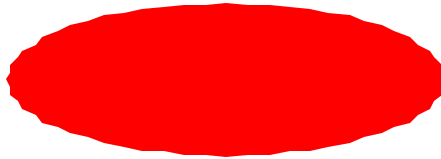
CSBs Fee Revenue Summary FY99 - 10

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Governmental Health Care Reporting Model

Introduction CSBs are currently reporting under the governmental model. However, DMHMRSAS considers the Governmental Health Care Reporting Model to be more reflective of CSB operations due to the significant increase in fees relative to governmental funding over the past several years. This Chapter presents information relative to the Governmental Health Care Reporting Model. A fee comparison table for fiscal years 1995 through 1999 is shown in the Background section. A Desk Review Checklist starts on Page 11.

Implementation Operating CSBs are required to adopt the Governmental Health Care Reporting Model for fiscal years beginning after June 30, 2000.



The Virginia General Assembly created community services boards in Virginia in 1968. Section 37.1-194 of the Code of Virginia states that “every county or city or combination of cities or counties or counties and cities shall establish a community services board.” Community services boards are considered to be agents of the local government or local governments that they serve.

During the first two decades of their existence, community services boards were funded primarily with state, local, and federal dollars in the form of grants or subsidies. Fees were charged and collected but these made up only a small part of the CSB revenue. In 1990, the Medicaid program was introduced to the CSB system. This program has grown steadily since its introduction to the CSBs. Immediately prior to the introduction of Medicaid to the CSB system, fees comprised a total of \$31.5 million or 11% of a total revenue amount of \$279 million. In fiscal year 1991, the first year of Medicaid in the community services board system, fees totaled nearly \$57 million or a total of 19% of total CSB revenues. As of the close of fiscal year 1998, fees amounted to \$163 million or 37% of a total revenue amount of nearly \$437 million. Furthermore, fees represent the largest single source of funding to the CSB system today. For 13 CSBs, fees represent over half of their total revenues. Because of increased fees coupled with health care reimbursement methodology and revenue recognition principles, the question arises of whether CSB financial statements should continue to be presented in accordance

with generally accepted accounting principles promulgated by the American Institute of Certified Public Accountants (AICPA) Audits of State and Local Governmental Units audit and accounting guide or whether another reporting model would be more appropriate.

Table 1: Revenues Received (\$Million)

Revenues Received	1995 Amount	%	1996 Amount	%	1997 Amount	%	1998 Amount	%	1999 Amount	%
Fees Collected	\$107.3	28.8%	\$120.6	30.8%	\$145.1	35.0%	\$162.8	37.3%	\$219.6	41.8%
State Funds	118.4	31.8%	116.3	29.7%	113.3	27.4%	110.8	25.4%	125.4	23.9%
Local Funds	100.2	26.9%	103.1	26.3%	105.6	25.5%	107.9	24.7%	115.9	22.0%
Federal Funds	35.2	9.4%	38.1	9.7%	36.2	8.7%	42.0	9.6%	46.4	8.8%
Other Funds	11.2	3.1%	13.9	3.5%	14.0	3.4%	13.2	3%	18.4	3.5%
Total Funds	\$372.3	100%	\$392.0	100%	\$414.2	100%	\$436.7	100%	\$525.7	100%

Sources: Fiscal years 1995 – 1999 based on Statement of Grants Reports; FY99 DMAS Medicaid figures plus CSB funding history for other fees

Community Services Boards as Health Care Providers

CSBs provide behavioral health care in the areas of mental health, mental retardation and substance abuse. This fact puts them squarely in the health care arena. According to the AICPA Health Care Organizations Audit and Accounting Guide, health care organizations can be classified into the following categories:

- Investor Owned Health Care Enterprises
- Not for Profit Business Oriented Organizations
- Governmental Health Care Organizations

Governmental health care organizations are defined as “ public corporations and bodies corporate and public. Other organizations are governmental organizations if they have one or more of the following characteristics:

- Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization’s governing body by officials of one or more state or local governments;
- The potential for unilateral dissolution by a government with the assets reverting to a government; or
- The power to enact and enforce a tax levy.”

Virginia’s CSBs are comprised of appointed officials from one or more local governments. This, combined with the fact that as agents of local government they provide behavioral health care services, **makes them a governmental health care provider.**

Moving from the Governmental Model to the Health Care Reporting Model

Traditionally, CSBs have presented financial statements in accordance with the AICPA Audit and Accounting Guide “Audits of State and Local Governmental Units”. In the past, this model

was appropriate and recognized that CSBs were agencies of local government that were subsidized largely by state, local and federal dollars. Today, the largest single funding source in the CSB system is fees. Refer to table above.

Because fees are the largest single source of CSB revenue, at a minimum the governmental model would require that a CSB's financial statements be presented as an Enterprise Fund. Paragraph 13.02 of the AICPA Audit and Accounting Guide Audits of State and Local Governmental Units states that “enterprise funds account for operations that are financed and operated much like private business enterprises... The intention is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges”. Paragraph 15.03 of the AICPA Audit and Accounting Guide states that “A special governmental unit may be subject to the audit guidance in other guides that may apply to the following entities:

- Providers of health care services
- Colleges and Universities
- Certain nonprofit activities
- Employee benefit plans
- Voluntary health and welfare organizations
- Property liability and insurance companies”

The above presented guidance from the state and local government audit and accounting guide allows for the movement to the health care model of financial reporting.

The Case for the Health Care Financial Reporting Model

In Virginia, there are 39 community services boards and 1 behavioral health authority. Of these, 29 serve more than one jurisdiction while 11 serve only one jurisdiction. Thirty-one (31) boards have fees that comprise 30% or more of their total operating revenues. The analysis below indicates the extent to which CSBs are reliant upon fees for operating revenue.

<u>Interval</u>	<u>Number of CSBs</u>
Greater than 60% fees	5
50-59% fees	8
40-49%	11
30-39%	7
20-29%	6
Less than 20% fees	<u>3</u>
Total	<u>40</u>

The establishment and collection of fees by CSBs is emphasized by the Code of Virginia. Section 37.1-197 requires community services boards to “prescribe a reasonable schedule of fees for services provided by personnel or facilities under the jurisdiction or supervision of the board and the collection of same.” This section of the Code goes on to say “every board shall institute a reimbursement system to maximize the collection of fees from persons receiving

services under the jurisdiction or supervision of the board consistent with the provisions of 37.1-202.1 and from responsible third party payers.” Section 37.1-202.1 referred to above states that “ the income and estate of a client shall be liable for expenses of services or facilities under the jurisdiction or supervision of any community services board which are utilized by the client.” The emphasis upon fee collection is expected to increase as more Medicaid covered services are brought on line. The reimbursement principles utilized by CSBs are those utilized by health care organizations. These principles require that a charge be created for each client service delivered. The charge is carried entirely into accounts receivable or, more likely, is discounted and subjected to various contractual adjustments and allowances. However this is ultimately treated with regard to write-off and collection, an attempt is made to collect a fee for every service delivered. Either the individual or the third party is billed for the services rendered. Governmental revenue recognition principles vary greatly from the reimbursement principles outlined above. In governmental accounting, revenues are recognized on a modified accrual basis (when measurable and available) as opposed to the full accrual basis. New governmental accounting principles are moving away from the modified accrual basis of accounting. Yet, even these principles are very different from the reimbursement principles described above.

Further drivers of the health care model can be found in the new performance contract for fiscal year 2001. Consider the following:

- Section 6.6.3 of the performance contract requires that written fee collection policies and procedures shall be adequate to maximize revenues from consumers and responsible third party payers.
- Section 6.6.4 of the performance contract requires that a schedule of charges exist for all services and that that schedule be related reasonably to the cost of all services, and be applicable to all recipients of the services.
- Section 6.6.5 of the performance contract states that a method, approved by the CSB’s board of Directors, that complies with all applicable state and federal regulations shall be used to evaluate the ability of each consumer to pay fees for services received.

In conclusion, CSBs operate within a behavioral health care environment and are increasingly reliant upon fees. Furthermore, it is the policy of the Commonwealth of Virginia to have consumers or responsible third party payers pay for the cost of service delivery to the maximum extent possible. These are the primary driving forces of the application of the health care model of financial reporting.

Illustrative Financial Statements

Virginia Community Services Board Balance Sheets - Restricted and Unrestricted Funds For the Fiscal Years Ended June 30, 2000 and 1999

	2000	1999
Assets:		
Current Assets		
Cash and Cash Equivalents	\$ X	\$ X
Short Term Investment	X	X
Consumer Accounts Receivable (Net of Allowance for Doubtful Accounts)	X	X
Other Current Assets	<u>X</u>	<u>X</u>
Total Current Assets	<u>XX</u>	<u>XX</u>
Assets Limited As to Use:		
Internally Designated	X	X
Consumer Funds Held by Trustees	<u>X</u>	<u>X</u>
Property and Equipment (Net of Accumulated Depreciation)	X	X
Other Assets	<u>X</u>	<u>X</u>
Total Assets	<u>\$XX</u>	<u>\$XX</u>
Liabilities and Fund Balance:		
Current Liabilities:		
Current Maturities of Long Term Debt	X	X
Accounts Payable and Accrued Expenses	X	X
Current Portion of Accrued Leave Liability	X	X
Other Current Liabilities	X	X
Funds Held in Trust for Consumers	<u>X</u>	<u>X</u>
Total Current Liabilities	<u>XX</u>	<u>XX</u>
Long Term Debt, Net of Current Maturities	X	X
Long Term Portion of Accrued Leave Liability	X	X
Other Long Term Liabilities	X	X
Total Liabilities	<u>XX</u>	<u>XX</u>
Fund Balance:		
Unrestricted	X	X
Restricted	<u>X</u>	<u>X</u>
Total Fund Balance	<u>XX</u>	<u>XX</u>
Total Liabilities and Fund Balance	<u>\$XX</u>	<u>\$XX</u>

See accompanying notes to the financial statements.

Illustrative Financial Statements

Virginia Community Services Board Statement of Operations - Unrestricted Funds For the Fiscal Years Ended June 30, 2000 and 1999

	2000	1999
Revenue:		
Net Consumer Service Revenue	\$ X	\$ X
Appropriations from the Commonwealth of Virginia	X	X
Appropriations from Local Governments	X	X
Unrestricted Donations	X	X
Other	<u> X </u>	<u> X </u>
Total Revenue	<u> XX </u>	<u> XX </u>
Expenses:		
Salaries and Benefits	X	X
Supplies	X	X
Insurance	X	X
Provision for Bad Debts	X	X
Depreciation and Amortization	X	X
Interest Expense	<u> X </u>	<u> X </u>
Total Expenses	<u> X </u>	<u> X </u>
Operating Income (Loss)	XX	XX
Non-operating Income		
Interest Income	X	X
Investment Income	X	X
Sale or Surplus Property	<u> X </u>	<u> X </u>
Total Non-operating Income	<u> XX </u>	<u> XX </u>
Excess (Deficiency) of Revenues Over Expenses	<u> XX </u>	<u> XX </u>
Increase in Unrestricted Fund Balance	<u> \$XX </u>	<u> \$XX </u>

See accompanying notes to the financial statements.

Illustrative Financial Statements

Virginia Community Services Board Statement of Changes in Fund Balances For the Fiscal Years Ended June 30, 2000 and 1999

	Unrestricted	Restricted
Fund Balance, July 1, 1999	\$ X	\$ X
Excess of Revenues Over Expenses	X	
Unexpended Grants	<u>—</u>	<u>X</u>
	<u>XX</u>	<u>XX</u>
Fund Balance, June 30, 2000	<u>XX</u>	<u>XX</u>
Excess Revenues Over Expenses	X	X
Unexpended Grants	<u>—</u>	<u>X</u>
Fund Balance, June 30, 2000	\$ <u>XX</u>	\$ <u>XX</u>

See accompanying notes to the financial statements.

Illustrative Financial Statements

Virginia Community Services Board Illustrative Financial Statements Unrestricted Funds – Direct Method For the Fiscal Years Ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash Flows from Operating Activities		
Appropriations from the Commonwealth (Unrestricted)	\$ X	\$ X
Appropriations from Local Government (s) (Unrestricted)	X	X
Other Unrestricted Operating Revenue	X	X
Payments from Third Party Providers	X	X
Payments from Non-Third Party Providers	X	X
Cash Payments for Personnel	X	X
Cash Payments for Materials, Supplies and Other Operating Needs	<u>X</u>	<u>X</u>
Net Cash Provided from Operations	<u>XX</u>	<u>XX</u>
Cash Flows from Noncapital Financing Activities:		
Cash Transfers In	X	X
Cash Transfers Out	<u>X</u>	<u>X</u>
Net Cash Used for Non-capital Financing Activities	<u>XX</u>	<u>XX</u>
Cash Flows from Capital Financing Activities:		
Sale of Fixed Assets	X	X
Acquisition of Capital Asset	X	X
Net Cash Used for Capital Financing	<u>XX</u>	<u>XX</u>
Cash Flows from Investing Activities:		
Interest Income	X	X
Investment Income	<u>X</u>	<u>X</u>
Net Cash Provided from Investing Activities	<u>XX</u>	<u>XX</u>
Net Increase (Decrease) in Cash and Cash Equivalents	XX	XX
Cash and Cash Equivalents at Beginning of Year	<u>X</u>	<u>X</u>
Cash and Cash Equivalents at End of Year	<u>\$XX</u>	<u>\$XX</u>

See accompanying notes to the financial statements.

Fee Revenue Summary (CSBs)

For the Year Ended June 30, 1999

Community Services	State Funds	Local Funds	Fees	Federal Funds	Other Funds	Total Revenue	% Fees
Alexandria	\$ 2,942,703	\$ 6,699,893	\$4,935,398	\$2,427,819	\$302,343	\$17,308,156	28.51%
Alleghany Highlands	674,369	70,122	1,519,971	290,278	4,363	2,559,103	59.39%
Arlington	3,583,267	7,124,567	5,023,029	978,801	714,461	17,424,125	28.83%
Blue Ridge	5,257,213	716,408	5,839,599	2,513,125	804,663	15,131,008	38.59%
Central Virginia	2,646,027	286,866	6,423,667	1,595,028	706,556	11,658,144	55.10%
Chesapeake	3,468,877	2,620,479	1,393,442	1,027,200		8,509,998	16.37%
Chesterfield	2,396,556	3,943,904	6,801,755	841,723	304,995	14,288,933	47.60%
Colonial	2,844,745	974,478	1,951,931	487,166	1,249,335	7,507,655	26.00%
Crossroads	1,324,338	282,255	5,427,657	663,387	59,524	7,757,159	69.97%
Cumberland Mountain	2,053,738	152,502	3,991,798	853,579	1,382,851	8,434,468	47.33%
Danville-Pittsylvania	2,234,740	304,583	3,199,521	621,258	194,184	6,554,286	48.82%
Dickenson	614,220	68,668	683,470	205,682	18,959	1,590,999	42.96%
District 19	4,082,793	568,110	3,699,245	1,681,969		10,032,117	37.87%
Eastern Shore	1,417,727	185,991	2,846,412	394,358	101,114	4,945,602	57.55%
Fairfax-Falls Church	9,061,882	49,659,722	8,610,742	5,022,563	1,251,718	73,606,627	11.70%
Goochland-Powhatan	1,208,954	229,510	814,354	251,243	106,371	2,610,432	31.20%
Hampton-Newport News	7,891,686	2,003,734	12,708,052	2,377,194	1,051,615	26,042,281	48.84%
Hanover	1,136,148	1,550,306	744,543	328,597	742,789	4,502,383	16.54%
Harrisonburg-Rock.	1,793,468	244,805	1,655,769	410,205	59,910	4,164,157	39.67%
Henrico Area	3,523,328	7,358,289	3,476,442	1,316,840	973,296	16,648,195	20.88%
Highlands	2,071,953	367,371	1,902,251	723,872	183,905	5,249,352	36.42%
Loudoun	1,337,949	5,028,058	2,039,913	351,278	311,304	9,068,502	22.49%
Middle Peninsula-NN	2,381,209	298,879	5,161,561	656,173		8,497,822	60.74%
Mount Rogers	2,579,440	77,765	6,720,896	1,039,153	8,980	9,976,234	62.86%
New River Valley	2,450,409	195,680	4,708,956	1,071,745	79,574	8,506,364	55.36%
Norfolk	5,725,054	1,528,550	2,837,993	2,262,305	1,295,341	13,649,243	20.79%
Northwestern	2,904,105	580,709	2,654,542	1,001,213	215,982	7,356,551	36.08%
Piedmont Regional	2,127,164	236,053	4,131,252	872,323	185,434	7,552,226	54.70%
Planning District 1	1,957,281	226,192	2,445,884	612,652	346,030	5,588,039	43.77%
Portsmouth	4,088,782	46,971	2,805,742	1,427,514	35,328	8,404,337	33.38%
Prince William	3,181,767	5,466,902	2,331,011	1,276,236	353,811	12,609,727	18.49%
Rappahannock Area	1,686,203	665,505	7,129,322	984,052	330,971	10,796,053	66.04%
Rappahannock -Rapidan	2,665,603	263,719	4,365,803	966,760	6,779	8,268,664	52.80%
Region Ten	2,127,422	663,333	7,886,106	1,425,989	1,016,224	13,121,074	60.12%
Richmond	6,706,160	1,887,391	8,807,400	3,780,348	912,634	22,093,933	39.86%
Rockbridge Area	991,780	227,689	2,327,985	345,092	95,905	3,988,451	58.37%
Southside	1,836,766	2,041	3,365,187	373,904	840,674	6,388,572	52.68%
Valley	3,401,248	194,499	4,440,750	574,839	632,776	9,244,112	48.04%
Virginia Beach	4,655,721	5,212,642	9,302,439	1,718,856	187,409	21,077,067	44.14%
Western Tidewater	2,377,292	426,223	4,369,866	663,281	359,621	8,196,284	53.32%
Total	\$117,410,087	\$108,641,364	\$171,043,655	\$46,415,600	\$17,397,729	\$460,908,435	

Source: FY 1999 4th Quarter Performance Report

Governmental Health Care Reporting Model

See Desk Review Checklist in Chapter 3.

Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services		Analyst:				
Desk Review Checklist: Health Care Reporting Model For CSBs		Date:				
Financial Statements Date: FYE 06/30/00		Reviewer:				
CSB/CSB Contract Agency:						
Audit Firm:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
	Purpose of Desk Review Checklist: The purpose of this checklist is to review the auditor's reports and financial statements of the CSB. This in no way is an exhaustive or complete review. The emphasis is on financial statement presentation and note disclosure as well as the auditor's reports.					
A	SECTION A: SUBMISSION OF AUDIT REPORTS					
1	CSB audit reports are due Nov. 30 for FYE 6/30. Contract agency audits are due within 5 months of FYE. Was the audit report received on time? Indicate date received ().					
2	Did DMHMRSAS receive two copies of the report?					
3	Were the reports bound?					
B	SECTION B: MANAGEMENT LETTER					
1	Does the report include a management letter?					
2	Does the management letter include specific recommendations?					
3	Is a Plan of Correction or response included with the management letter?					
4	Did the CSB/Agency respond to the prior fiscal year Desk Review Report?					
C	SECTION C: INDEPENDENT AUDITOR'S REPORT					
1	Was the audit of the entire entity? (DMHMRSAS discourages program audits).					
2	Does the report contain a title that includes the word "independent"? (AU 508.08a)					
3	Does the report contain a statement the audit was conducted in accordance with GAAS, GAS, and applicable APA Specifications? (AU 508.08d; GAS 5.13; SOP 98-3 10.35d; Specs 8-29.12)					
4	Does the report contain an opinion on the general purpose financial statements (Balance Sheet, Statement of Operations, and Statement of Cash Flows)? (Specs 8-29.12)					
5	Is the report "Unqualified" or "Clean"? Reason for qualification?					
6	Does the report opine to or disclaim an opinion on, statistical data, if any? (AU 551.06d)					
7	Does the report refer to the predecessor auditor, if applicable? (AU 508.12)					
8	If GAS applies, is reference made to separate reports on internal controls and compliance?					
9	If GAS applies, is reference made to the Schedule of Expenditures of Federal Awards and OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> ?					
D	SECTION D: FINANCIAL STATEMENTS PRESENTATION Note: The Governmental Health Care Model does not present the following statements: Combined Balance Sheet, Combined Statement of Revenues and Expenditures, Combining Financial Statements, Budget to Actual: Combined and Combining Statements or any other combined statements.					

Governmental Health Care Reporting Model

Continued

See Desk Review Checklist in Chapter 3.

	CSB/CSB Contract Agency:	(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FY 2000
	GENERAL INFORMATION:					
1	Is a Table of Contents presented?					
2	Are pages numbered?					
3	Are the majority of pages presented with a portrait orientation?					
4	Are the financial statements free of operating deficits?					
5	Are the financial statements free of fund balance deficits?					
	BALANCE SHEET:					
6	Is this statement included?					
7	Are Client Accounts Receivable presented?					
8	Is Client Accounts Receivable in Step D7 presented less allowance for uncollectibles?					
9	Are client funds reported as restricted assets? (See F2).					
10	Are cost settlements receivable/payables presented?					
11	Are fixed assets presented net of accumulated depreciation? (See G19).					
12	Are fund balances designated between unrestricted and restricted funds?					
13	Is the liability section consistent with information presented in the note disclosures?					
	STATEMENT OF OPERATIONS:					
14	Is this statement included?					
15	Is Net Client/Patient Revenue presented? (See G11).					
16	Are governmental revenues separately identified (e.g., Federal, State, and Local)?					
17	Is interest income separately reported as non-operating income? (See F4).					
18	Is depreciation included as an expense item?					
19	Is the information needed to present the Statement of Changes in Fund Balance included at the end of the Statement of Operations? (If not, a separate statement should be presented to show this information).					
20	If the fund balance amount above is presented at the end of the Statement of Operations, does it agree to the Balance Sheet fund balance amount?					
	STATEMENT OF CASH FLOWS:					
21	Is this statement included?					
22	Does the statement show Cash Flows from Operating Activities?					
23	Does the statement show Cash Flows from Non-capital Financing Activities (or a similar category)?					
24	Does the statement show Cash Flows from Capital Financing Activities (or a similar category)?					
25	Do the Cash and Cash Equivalents at the end of the year agree to the Balance Sheet amount?					
	STATEMENT OF CHANGES IN FUND BALANCES: (This section is N/A if the information is reported in Step D19).					
26	Is this statement included?					

Governmental Health Care Reporting Model

Continued

See Desk Review Checklist in Chapter 3.

	CSB/CSB Contract Agency:	(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
27	Does the ending fund balance amount agree or tie back to the Balance Sheet amount? If comparative statements are presented, does the beginning fund balance for the current year equal the audit fund balance from the prior year.					
E	SECTION E: SINGLE AUDIT REPORTS					
1	Has over \$300,000 in federal grants been received? If not, single audit is not necessary and the remaining questions should be answered "N/A".					
	REPORT ON COMPLIANCE AND INTERNAL CONTROL:					
2	Does the report reference the audit of the financial statements and describe any departure from the standard report? (1999 ASLGU 24.04 and 24.07)					
3	Does the report reference the appropriate standards (i.e., GAAS and GAS)? (ASLGU 24.04 and 24.07)					
	Does the Compliance Paragraph (clean report):					
4	Indicate "we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants"?					
5	Indicate "the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards"?					
	Does the Internal Control Over Financial Reporting Paragraph (clean report):					
6	Define "material weakness"?					
7	Indicate "we noted no matters involving the internal control over financial reporting and its operation that we consider a material weakness"?					
	Does the Compliance Paragraph (noncompliance and reportable conditions): (This is N/A if clean report).					
8	Indicate "we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants"?					
9	Indicate "our tests disclosed instances of noncompliance... which are described in the accompanying schedule of findings and questioned costs"?					
	Does the Internal Control Over Financial Reporting Paragraph (noncompliance and reportable conditions): (This is N/A if clean report).					
10	Define "material weakness"?					
11	Define "reportable conditions"?					
12	Refer to the accompanying schedule of findings and questioned costs where reportable conditions are described?					
	REPORT ON COMPLIANCE WITH REQUIREMENTS					
	Does the report:					
13	Reference "the types of compliance requirements described in OMB Circular A-133 Compliance Supplement"?					
14	Reference the appropriate standards (i.e., GAAS, GAS, and OMB Circular A-133)? (ASLHU 24.04 and 24.07)					
15	Does the Compliance Paragraph (clean report) indicate "complied, in all material respects"?					

Governmental Health Care Reporting Model

Continued

See Desk Review Checklist in Chapter 3.

CSB/CSB Contract Agency:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
	Does the Internal Control Over Compliance Paragraph (clean report):					
16	Define "material weakness"?					
17	Indicate "we noted no matters involving...that we considered to be a material weakness"?					
	Does the Compliance Paragraph (qualified opinion on compliance and reportable conditions): (This is N/A if clean report).					
18	Reference "the types of compliance requirements described in OMB Circular A-133?"					
19	Reference the appropriate standards (i.e., GAAS, GAS, and OMB Circular A-133)? (ASLGU 24.04 and 24.07)					
20	Indicate "as described...in the accompanying schedule of findings and questioned costs...did <u>not</u> comply with requirement regarding..."?					
	Does the Internal Control Over Compliance Paragraph (qualified opinion on compliance and reportable conditions): (This is N/A if clean report).					
21	Define "material weakness"?					
22	Define "reportable condition"?					
23	Indicate "we noted certain matters...that we consider to be reportable conditions"? These should be described in the schedule of findings and questioned costs.					
24	Indicate whether or not reportable conditions are considered to be material weaknesses?					
25	Is the report free of reportable conditions?					
	SCHEDULE OF FINDINGS AND QUESTIONED COSTS:					
26	Are reportable conditions noted in #E23 above reported?					
27	Are instances of noncompliance noted in #E12 above reported?					
28	Are questioned costs reported by the auditor?					
29	Was a response to the corrective action plan, if applicable, prepared by the CSB and/or Contract Agency?					
	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:					
30	Are grand totals presented?					
31	Does the report have the correct title?					
32	Are major programs identified?					
33	Are Federal Agencies identified?					
34	Are CFDA numbers presented?					
35	Did the CSB submit a reconciliation of federal funds to the 4 th Quarter Report?					
F	SECTION F: DMHMRSAS DISCLOSURES (The following disclosure issues are defined in Chapter 4 of the CSB Audit Guide. Refer to Section H below for additional disclosures).					
	NOTE DISCLOSURE:					

Governmental Health Care Reporting Model

Continued

See Desk Review Checklist in Chapter 3.

	CSB/CSB Contract Agency:	(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
1	Is information on Local Funding disclosed or on face of statements?					
	FINANCIAL REPORTING:					
2	Are client funds disclosed and/or shown separately on the financial statements, generally as restricted cash? (See D9).					
3	Are client loans disclosed and/or separately reported as a receivable in the financial statements?					
4	Is interest earned separately presented? (See D17).					
5	Is a comparative presentation made?					
	SUPPLEMENTAL SCHEDULES AND REPORTS:					
6	Are the Status of Prior Year Findings and Questioned Costs reported or disclosed?					
7	Are reconciliation schedules presented?					
8	Is a Schedule of Insurance presented?					
9	Does the Schedule of Insurance present: Company Agent, Coverage Description, Policy Number, Period Covered, Limits of Liability, Deductible, Premium? (Make a note of any information that is not presented).					
	OPTIONAL INFORMATION:					
10	Is a list of current Board Members and management team presented?					
11	Is an organizational chart presented?					
12	Is Computer Systems Information presented?					
13	Are client statistics presented?					
14	Has the Governmental Health Care Model been adopted? (This is effective for FYE June 30, 2001 audits). (See G5).					
	GASB 27, Accounting for Pensions by State and Local Government: (Also see Step H21).					
15	Is 3-Year Trend Information or similar information presented? This information should include Annual Pension Cost (APC), Percentage of APC Contributed, Net Pension Obligation, etc.?					
16	Is a Schedule of Funding Progress presented showing Actuarial Valuation Date, Actuarial Value of Assets, Actuarial Accrued Liability (AAL), Unfunded Actuarial Accrued Liability (UAAL), Funded Ratio, Annual Covered Payroll, and UAAL as Percent of Payroll?					
G	SECTION G: NOTES TO FINANCIAL STATEMENTS (Note: Parenthetical references are GASB Codification Sections unless otherwise noted. Refer to Section 2300 of the Codification for a listing of required footnote disclosures.					
	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:					
1	<u>Organization:</u> Is a description and purpose of the agency provided?					
2	<u>Reporting Entity:</u> Do the notes list all entities combined to form the reporting entity and the key decision criteria used to determine inclusion or exclusion?					
3	Does the CSB have a 501C (3) corporation? (If yes, the name, purpose, nature, and whether the 501 C (3) is a component unit should be presented).					

Governmental Health Care Reporting Model

Continued

See Desk Review Checklist in Chapter 3.

CSB/CSB Contract Agency:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
4	Basis of Accounting: Is the accrual basis of accounting used? (The accrual basis is required by GASB for governmental health care reporting entities - Enterprise Fund Accounting). If not, what is the basis?					
5	For CSBs in the first year converting to the Governmental Health Care Model, is a Change in Accounting Policy disclosed? (See F14).					
6	Is the effect of the change shown for the fund balance?					
7	Use of Estimates: Do the notes describe the use of estimates in the preparation of financial statements?					
8	Budgets and Budgetary Accounting (2400.102-112): Do the notes disclose relevant information in adopting its budget in reference to the DMHMRSAS's Performance Contract?					
9	Is the definition of Cash and Cash Equivalents disclosed?					
10	Are Investments properly disclosed (1500)?					
11	Is the computation for Net Client Service Revenue disclosed in the notes? (See D15).					
12	Is inventory, if applicable, disclosed? (1600.122 and 2200.603)					
13	Is the amount of Allowance for Uncollectible Accounts disclosed (or on face of Balance Sheet) and method of calculation? (2200.603)					
14	Is the use of Total Columns on Combined Statements – Overview (2200.113) disclosed, if applicable?					
15	Leave Policies (C60) and Compensated Absences: Is this information disclosed in the notes?					
16	Are deposits with financial institutions, investments including Repurchase Agreements disclosed? (GASB Statement 3, I50.161-171 and I50.601-602)					
17	Is "Due To/From" Other Governmental Units (UFRM pages 6-38) or agencies shown on the face of the statements or disclosed?					
18	Interfund Receivables and Payables (1300.110): Is this information presented, if applicable?					
19	Is information disclosed in reference to Changes in General Fixed Assets including accumulated depreciation (2200.106 and 1400.119)? (See D11).					
	LONG-TERM DEBT:					
20	Is a Description of Leases Outstanding disclosed (1500)?					
21	If the entity has capital leases, determine that the note included obligations under capital leases.					
22	Is a Summary of Debt Service Requirements to Maturity presented (1500.108)?					
23	Commitments and Contingencies (C50/60 and T25.103) (Note: At a minimum, CSBs should disclose potential reimbursements to federal and state funding agencies as a result of audit or review).					
	Retirement Plan - Pension Plan Obligations (GASB Stat. # 5, PE6.601):					
24	If the local government participates in the Virginia Retirement System (VRS), determine that the footnote language follows the sample provided by our office and contains the required elements in GASB Statement 5, paragraph 35. (Also see Step G).					
25	Is Deferred Revenue – By Type disclosed, if applicable? (UFRM Pages 6-45)					

Governmental Health Care Reporting Model

Continued

See Desk Review Checklist in Chapter 3.

CSB/CSB Contract Agency:		(Report all "NO" answers)				
Step #	Description	YES	NO	N/A	RPT FYE 1999	RPT FYE 2000
26	Is information in reference to Significant Contingent Liabilities including litigation disclosed? (1500.110; GAFR page 267)					
27	If significant questioned costs are noted, determine that the contingent liability note appropriately discloses the potential liability.					
28	Deferred Compensation Plans (GASB Statement 2, D25.601) are disclosed.					
29	Deficit Fund Balances or Retained Earnings of Individual Funds (2300.104) are disclosed, if applicable.					
30	Related Party Transactions (FAS 57, 2300.105) are disclosed if applicable.					
31	The notes disclose Significant Effects of Subsequent Events ((FAS 5, p. 11; SAS-1, 2300.104), if applicable.					
32	Risk Management (for entities other than public entity risk pools) (GASB Code Section C50.141; GASB 10 and 30) is disclosed?					
	NOTES TO FINANCIAL STATEMENTS (Other Information – Definitions and Examples)					
	Risk Pool: a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. Risk may include property and liability, workers' compensation or employee health care. A pool may be a stand-alone entity or included as part of a larger governmental entity that acts as the pool's sponsor. Examples in Virginia: VMA and VARISK.					
33	A description of the risks of loss to which the entity is exposed and the ways in which they are handled (e.g., purchase of commercial insurance, participation in a public entity risk pool, risk retention).					
34	A description of significant reductions in insurance coverage from the prior year by major category of risk, and an indication of whether the settlements exceeded insurance coverage for each of the past 3 fiscal years.					
35	If the entity participates in a risk pool, a description of the nature of the participation, including the rights and responsibilities of both the entity and the pool.					
	If the entity retains the risk of loss (i.e., is self-insured), then the note should disclose:					
36	The basis for estimating the liabilities for unpaid claims.					
37	The carrying amount of liabilities for unpaid claims that are presented at present value in the financial statements and the range of discount rates used to discount those liabilities.					
38	The aggregate outstanding amount of claims liabilities for which annuity contracts have been purchased in claimant's names.					
39	A reconciliation of changes in the aggregate liabilities for claims (including IBNR claims) for the current fiscal year and prior fiscal year, in the following tabular format:					
40	Amount of claims liabilities at the beginning of the fiscal year.					
41	Incurred claims (current and prior year)					
42	Payments on claims (current and prior years)					
43	Amount of claims liabilities at the end of the fiscal year.					
H	SECTION H: CONCLUSIONS					
	IN MY OPINION, THE REPORT IS:					

[illegible]

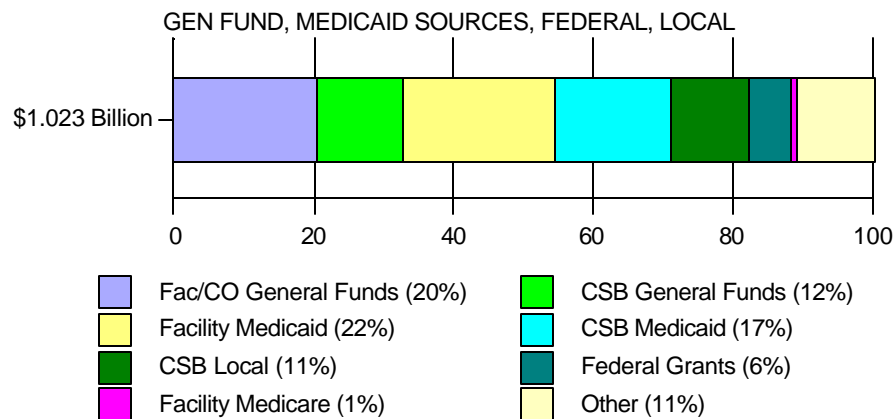
Appendix A

Total Services Funding Model

Introduction

This appendix presents (1) total services system funding for FY 1999 by funding source for Community Services Boards, State Facilities, and the DMHMRSAS Central Office and (2) a CSB Funding Model.

Total Services System Funding -- FY 1999

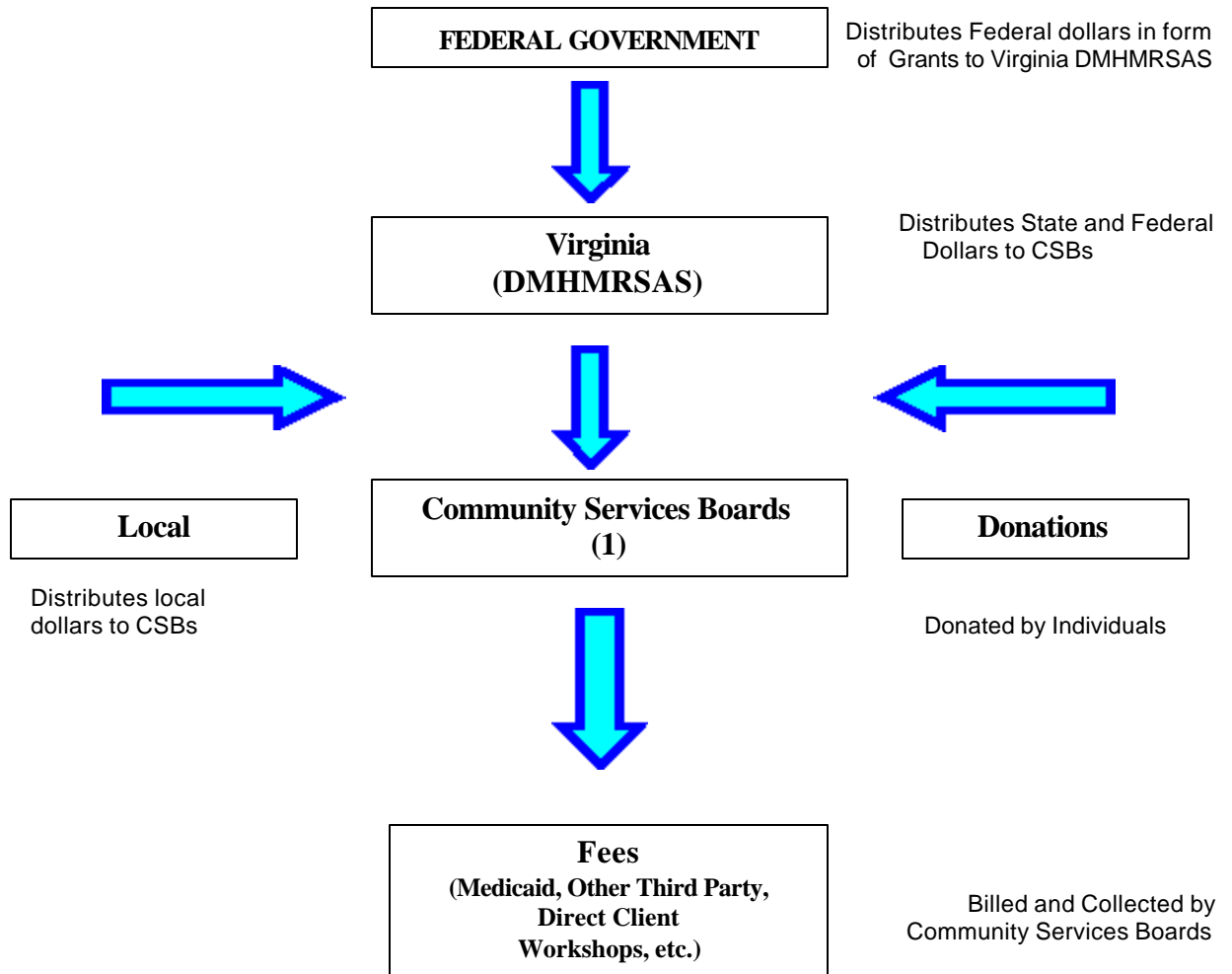


Funding Source	\$ Millions	%
Facility/Co General Fund	\$209.0	20.0
CSB General Fund	124.0	12.0
Facility Medicaid	225.0	22.0
CSB Medicaid	171.0	17.0
CSB Local Govt.	115.0	11.0
Federal Grants	61.0	6.0
Facility Medicare	7.0	1.0
Other (Fees, Insurance)	111.0	11.0
Total	\$1,023.0	100.0

Source: DMHMRSAS Central Office Budget

Appendix A

CSB Funding Model



(1) Community Services Boards may also receive some funding directly from the Federal government and other state agencies in addition to DMHMRSAS.

Appendix B

Federal Awards

Introduction DMHMRSAS is the recipient of many federal awards with the largest being the Substance Abuse Prevention and Treatment (SAPT) Block Grant.

Oversight The Department monitors the awards for fiscal and program compliance. Compliance is based on regulations from the federal grantor and regulations from the U.S. Office of Management and Budget. CSBs and CSB Contract Agencies are sub-recipients of all awards passed through the Department as grants.

Allocated Grants are usually allocated based on formulas, history, requests for proposals (RFPs) or other events such as natural disasters.

Reimbursed Grants Grants where payment is linked directly to the completed performance of some activity.

Federal Pass Through Agencies All federal grants are passed through the Department of Health and Human Services

Exceptions:

Fed Agency	CFDA	Description
EDUC	84.181	Early Intervention Part H/C
HUD	14.238	Shelter Plus
JUSTICE	16.593	Res. Alcohol & Drug Treatment for Prisoners (RSAT and S.A. Jail Services)

Appendix B

Federal Grants and CFDA Numbers

Federal Grants and CFDA Numbers

The following table shows the federal funding sources from which the CSBs and CSB Contract Agencies have received funds. The Department is the recipient and the CSB is the sub-recipient.

FY 2000 and FY 2001

Title of Federal Grants to CSBs	Disability	CFDA No.	Performance Contract
Shelter Plus Care Project	MH	14.238	X
Residential Alcohol & Drug Treatment for Prisoners (RSAT and S.A. Jail Services)	SA	16.593	X
Early Intervention/Part C	MR	84.181	X
VA Comprehensive Community System of Care	MH	93.104	X
Access Demonstration Project	MH	93.125	X
PATH	MH	93.150	X
HIV Counselors Grant	SA	93.188	X
Child Care Block Grant	MR	93.575	x
MH Block Grant	MH	93.958	X
Federal Emergency Management Act (FEMA)	MH	83.516	X
SA Prevention & Treatment Block Grant (SAPT)	SA	93.959	X

KEY:

Performance Contract

All federal grants that are budgeted on the Performance Contract and reported to DMHMRSAS on quarterly performance reports.

Appendix B

Federal Grants and CFDA Numbers

Continued

Special Requirements and Restrictions

There are special requirements and restrictions for Federal funds. The following summarizes these requirements and restrictions.

Disability/CFDA#	Special Requirements/Restrictions
MENTAL HEALTH	
Mental Health Block Grant (93.958)	
SW/MHI	No inpatient or residential services
FBG/SED, C & A	No inpatient or residential services
FBG/SMI	No inpatient or residential services
PATH (93.150)	Case management only
PATH Housing (93.150)	Residential services only (up to 20% of total PATH grant)
MENTAL RETARDATION	
Child Care Block Grant (93.575)	Family support services only
Early Intervention/Part C (84.181)	Restricted to eligible children and services and activities defined by Part C
SUBSTANCE ABUSE	
SAPT Block Grant (93.959)	
SA Alcohol FBG	No inpatient services
SA Drug FBG	No inpatient services
SA SARPOS FBG	Residential services only
SA Primary Prevention FBG	Prevention services only
HIV Counselors (93.188)	Outpatient services only
FED Residential Alcohol and Drug Treatment for Prisoners (16.593)	Residential services only
RBHA Residential A/D (16.593)	Residential services only
ONE TIME GRANTS	Restrictions specific to grant

Additional Restrictions

See next page for further SAPT Block Grant restrictions. All the revenue sources have a restricted line in the Performance Contract and Performance Report. Restrictions or special requirements are under the authority of the Federal Grant Award of DMHMRAS guidelines.

Appendix B

Federal Grants and CFDA Numbers

Continued

SAPT Restrictions

The SAPT (Substance Abuse Prevention and Treatment) Block Grant has specific restrictions as follows:

Under no circumstances shall these funds be used to:

1. Provide inpatient hospital services.
2. Make cash payments to intended recipients of the services.
3. Purchase or improve (other than minor remodeling) any building or other facility, or purchase major medical equipment.
4. Satisfy any requirement for the expenditure of non-federal funds as a condition for the receipt of federal funds.
5. Provide financial assistance to any entity other than a public or nonprofit private entity, or
6. Provide individuals with hypodermic needles or syringes so that such individuals may use illegal drugs.

Source: 45 CFR 96.135

Acronyms

The acronyms used in this appendix are explained below.

CFDA#	Catalogue of Federal Domestic Assistance Number
SWVMHI	Southwest Virginia Mental Health Institute
FBG	Federal Block Grant
SED, C&A	Severely Emotionally Disturbed, Children and Adolescents
SMI	Seriously Mentally Ill
PATH	Projects for Assistance in Transition from Homelessness
SARPOS	Substance Abuse Residential Purchase of Service
RBHA	Richmond Behavioral Health Authority
A/D	Alcohol and Drug

Appendix C

Notes and Suggestions for Improvement

Introduction

Readers are encouraged to comment and provide suggestions for improvement in this section. Comments and suggestions will be reviewed and included in the 2001 CSB Audit Guide document. Make your comments below. Use an additional page if necessary. Your comments may be mailed, faxed, or sent by e-mail.

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COMMENTS:

